

Delors is victor in Socialist defeat

By Alice Rawsthorn in Paris

MR Jacques Delors has always claimed that his main advantage over his rivals in French politics is that, as president of the European Commission in Brussels, he has the bonus of distance from the domestic fray.

This theory was certainly borne out by the results of the French parliamentary elections in which the Socialist party suffered devastating defeat and Mr Delors benefited from a sudden surge in the opinion polls as the favourite Socialist candidate for the 1995 presidential poll.

The Socialist party, dogged by a barrage of gloomy economic news and string of scandals, had long been resigned to losing the election. However, the result was not only worse than they had expected, but dealt serious damage to their hopes of relaunching the French left in a "big bang" alliance of the Socialist party and ecologists mooted by Mr Michel Rocard, former prime minister and one of Mr Delors' chief competitors for the presidential ticket.

When Mr Rocard floated his "big bang" proposals in February, the Socialist party and ecologists commanded enough support to stand a reasonable chance of ousting the right. The ecologists have since lost ground and did not win a single seat in Sunday's vote.

The Socialists emerged with just 54 seats, against 252 in the last parliament. This means that, if it was not for the support of the motley assortment of allies who won 16 seats, the Socialist camp would not even have the minimum 58 seats needed to table motions of censure against the conservative government.

Moreover, Mr Rocard lost his seat at Conflans-Sainte-Honorine outside Paris, thereby imperilling his hopes, not only of implementing the "big bang" but also of running for president.

Mr Laurent Fabius, the other presidential hopeful, is handicapped by his role as first secretary of the Socialist party and by his closeness to the increasingly isolated President François Mitterrand.

This leaves Mr Delors to watch from the sidelines in Brussels, more appreciative than ever of his "bonus".

French majority is opposition too

By David Suchan in Paris

SO LARGE is France's conservative majority that it threatens to provide the country with both its government and its effective opposition.

That is the private fear behind the public calls for unity-in-victory by Mr Jacques Chirac and Mr Valéry Giscard d'Estaing, respectively the leaders of the RPR Gaullists and centre-right UDF.

Mathematically, the conservative majority can withstand some centrifugal tendencies without endangering the new government's life. The RPR now has 247 seats, the UDF 213 and there are 24 independent right-wingers in the National Assembly. Some of the latter will join one or other group. The National Front's loss of its one deputy removes the only potential thorn in the government's right flank from outside.

In all, the centre-right will have 484 deputies nominally in its camp when the new parliament opens on Friday, nearly 200 more than it needs for an absolute majority.

That is precisely the problem. There is no prospect of a parliamentary defeat to keep the majority in line, while there is no shortage of issues on which it can divide - uncomfortable high interest rates, unpalatable spending cuts, policy on Europe, and even the position of President François Mitterrand himself.

The factiousness is greatest inside the UDF, which for convenience is usually described as a single party when it is in fact a federation of five parties. Sunday's vote was a sweet and sour experience for Mr Giscard d'Estaing. Sweet, because never before had the UDF gone over the 200-seat mark in its 15-year history. Sour, because the RPR did even better, thereby dashing Mr Giscard d'Estaing's openly-expressed

hope that the UDF would match the RPR and so shake the latter's image as the senior partner in French conservative politics.

If the UDF had beaten the RPR in seats and provided the new prime minister from within its ranks, the perquisites of power would have been enough to weld it into a single parliamentary party.

As it is, Mr Giscard d'Estaing yesterday reluctantly had to endorse Mr Edouard Balladur, the RPR dauphin, as the natural candidate for prime minister. Today the UDF leader faces the difficult task of trying to persuade the disparate factions which make up the federation's 213 new deputies to function as one group in the Palais Bourbon, the classical structure which houses the national assembly.

In the last parliament, the CDS centrists had their own whip and operated as a separate group. Now that they have gained an extra 10 seats, pushing their strength up to 60, it will be hard to dissuade the CDS to abandon its relative autonomy. If the CDS stays separate, the UDF's largest member, the Republican party - which has seen its strength nearly double from 58 to 106 deputies - may also break away.

But on key economic and foreign issues, the RPR has deeper policy fissures than the UDF, even though administratively it functions as a single machine.

The mischievous Mr Philippe Séguin, one of the leading Gaullist campaigners against Maastricht, underlined this yesterday, saying he planned to "contribute as much as possible to the diversity" of the new government majority. So, the new majority may prove a more effective opposition to its own government than the much-depleted Socialists.

Balladur must try to please three masters

By William Dawkins in Paris

MR Edouard Balladur, likely to be chosen as France's new prime minister, faces a delicate balancing act.

His first job will be to choose a ministerial team that gives a ministerial of spoils between his own Gaullist RPR, the larger member of the ruling coalition, and the centre-right UDF.

Here he will have to satisfy both party chiefs as well as the Socialist president, Mr François Mitterrand. He interfered closely with the selection of ministers in the previous right-wing government, and will probably do so again.

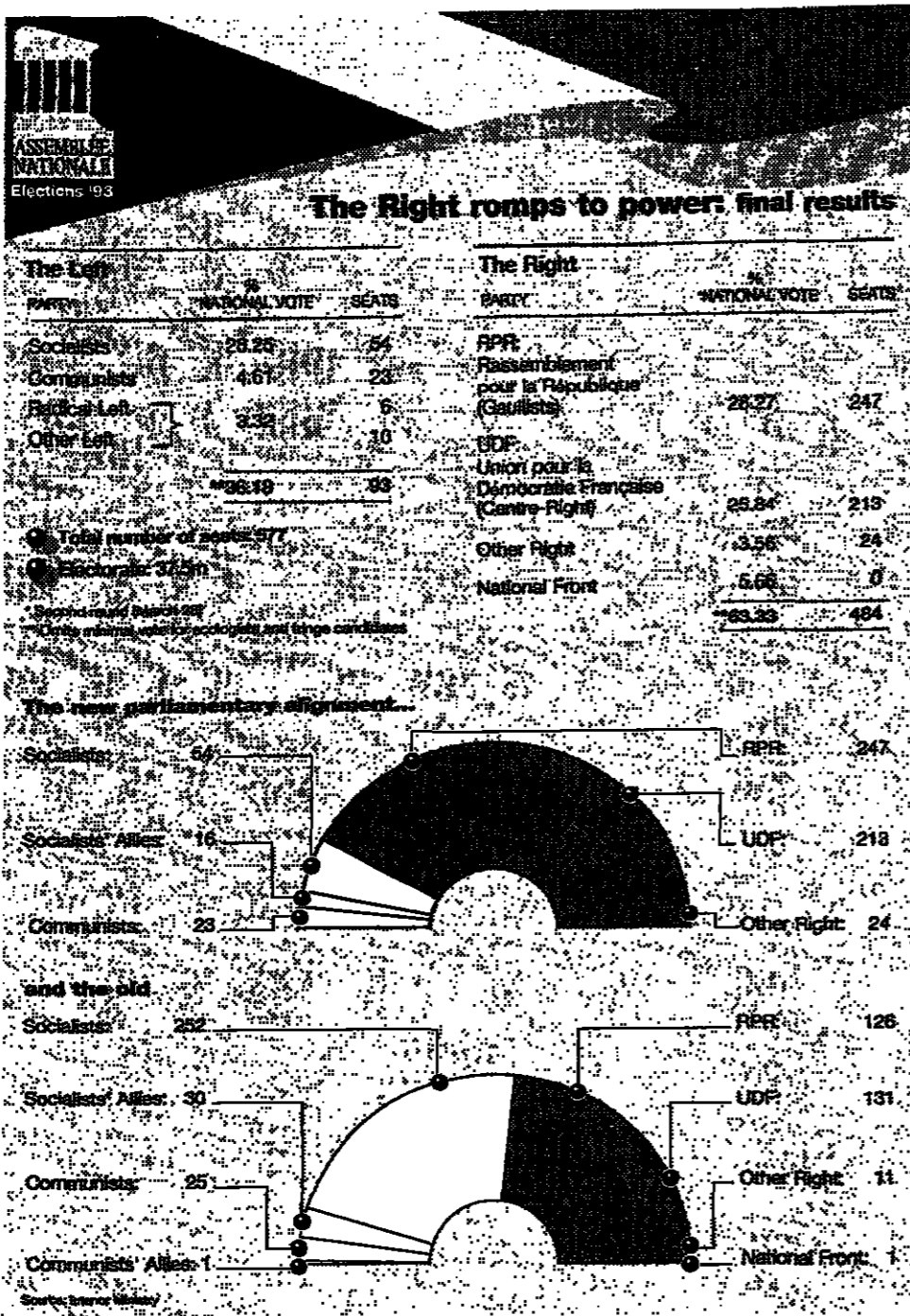
That done, much of Mr Balladur's time will be devoted to keeping discipline in the RPR, whose internal splits on the European Community and monetary union are likely to open again now that the election is over.

President Mitterrand chose Mr Balladur, 63, partly for his qualifications as the man who drew up the policy of delicate *cohabitation* followed by the 1986-1988 right-wing govern-

ment, in which he was finance minister. The fact that recent polls made him the most popular prime ministerial candidate by a long way, also counts.

For the right, he is a suitable candidate because he has no presidential ambitions, so leaving that field clear for the RPR's leader Mr Jacques Chirac and Mr Valéry Giscard d'Estaing, leader of the UDF. Mr Mitterrand found Mr Balladur's natural good manners, because he does not want to lever Mr Mitterrand out of the Elysée - unlike Mr Chirac - and because he is pro-European, a key criterion laid down by Mr Mitterrand.

Does Mr Balladur have the qualities needed to steer this tricky course? He is a moderate, pragmatic Gaullist, in line with his mentor, former president Georges Pompidou, and so will avoid dogmatic battles. Another strong point is the authority he gains as the mastermind of the last right-wing government's privatisation programme, one of its few successes. Mr Balladur promises another round of state sell-offs.



Chirac gambles on leading from behind

Alice Rawsthorn reports on the RPR leader's latest move in a strategy for winning the presidency in 1995

THE smile says it all. Try as he might to adopt the insouciant air of a potential president, Mr Jacques Chirac yesterday failed dismally to disguise his glee at the conservatives' success in Sunday's elections.

Mr Chirac, 60, has every reason to be gleeful. Not only has the conservative coalition won the biggest majority of any French government since the early 19th century, but his own RPR party emerged as the largest parliamentary faction with 247 seats, against 213 for the UDF, its coalition partner. This means that the RPR should not only

have a strong claim over key cabinet posts, but should also be able to exert considerable influence on the policies of France's new *cohabitation* government.

The RPR has been here before. It was also the largest party in the last *cohabitation* government from 1986 to 1988 making Mr Chirac, as its leader, the natural choice for prime minister. Mr Chirac then spent two gruelling years

being upstaged by President François Mitterrand and, convinced that this cost him the 1988 presidential election, he has refused to stand as *cohabitation* prime minister again.

Mr Chirac is gambling that his chances of winning the 1995 presidential poll will be better if he spends the next two years as mayor of Paris, rather than fencing with Mr Mitterrand.

He may be wrong. His humiliations at the hands of Mr Mitterrand undoubtedly did contribute to his 1988 defeat, but Mr Chirac was also dogged by the electorate's lingering doubts.

He is seen as too ambitious for his own good, a problem which may be aggravated by his tactics. In the meantime, RPR leader faces the challenge of striking a balance between adopting a low profile, thereby avoiding the blame for any mistakes made by the new government, and having such a low profile that he jeopardises his present success in the presidential opinion polls.



Balladur leaving his Paris headquarters with an aide yesterday

Italian spotlight on links to Mafia Rome cools expectations of state group changes

By Robert Graham in Rome

THE CORRUPTION scandals in Italy have reached a new and potentially far more explosive phase as magistrates focus on the inner workings of the Christian Democrat party and its control over the levers of power.

Until now magistrates investigating corruption have attacked the outer core of the political system. Over the past year they have revealed a system of bribes and favours in which politicians received funds for themselves and their parties in return for awarding contracts and favours to businessmen. In revealing this system, which got out of hand in the 1980s, the Christian Democrats and Socialists have been damaged and patronage politics has been discredited.

But in the magistrates' warning to Mr Giulio Andreotti, seven times prime minister, that he is being investigated for allegedly conspiring with the Sicilian Mafia, and in conducting the same investigative process against the Christian Democrats' top two bosses in Naples, matters have changed radically. Mr Andreotti has



Ex-budget minister Paolo Cirino Pomicino, fellow Christian Democrat Alfredo Vito, and ex-interior minister Antonio Gava were warned they are being investigated for links with the Camorra

insisted on his innocence as have Mr Paolo Cirino Pomicino and Mr Antonio Gava, the Naples Christian Democrat leaders. But the process will be hard to stop.

This involves a challenge to

the Christian Democrats' near-exclusive hold over the apparatus of state since 1946. The party has undoubtedly been supported by a popular vote and been backed by the Church. But it has also sus-

tained itself in power through control over the security services (the Interior Ministry has never left Christian Democrat hands), manipulation of the courts and unchallenged use of state funds. Italy has had a

long list of mysterious events which have never been clarified for the simple reason that the truth would discredit or even bring down the Christian Democrat hierarchy.

The events include the "execution" of Mr Aldo Moro, the Christian Democrat prime minister, at the hands of the Red Brigades; the murder of police chief Carlo Alberto della Chiesa; the collapse of the Sindona financial empire; the death of banker Roberto Calvi; the role of the secret masonic lodge P2; the abortive coup of Valerio Borghese and a series of bombings including a disaster at Bologna railway station.

The common link in all is either the suspected presence of the Mafia or the secret services - or both.

Mr Andreotti, who has held every office of state save the presidency, has been in power throughout these events. In defending himself now, he may well be obliged to shed some light on them.

Equally, politicians may well have to explain how it is that the Mafia in Sicily and its counterparts in Calabria and Naples have expanded in recent years.

By Haig Simonian in Milan

THE Italian government yesterday damped expectations of imminent boardroom changes at the country's biggest state-owned companies, despite the weekend appointment of a new board at the Eni energy and chemicals concern.

Mr Piero Barucci, the Treasury minister, said further appointments would only come ahead of shareholders' meetings at Iri, the biggest state holding company, the Ina insurance concern and Enel, the electricity generating authority. However, he gave no indication of when these meetings would take place.

Businessmen have been keenly awaiting details of the new boards.

Their size and composition will be important indicators of the determination of the government to prepare for privatisation and reduce political influence on the state sector.

The boards were slumped down to three members last year when all four state groups were transformed by

the Amato government into joint stock companies as the first step towards privatisation. However, the mini-boards, comprising a managing director and senior civil servants, were seen as temporary pending the appointment of bigger boards including senior company executives and outside specialists.

It is widely expected that Mr Franco Nobili, Iri's chairman, who has been told by magistrates he is under investigation in the country's political corruption scandal, will be replaced. Less clear are the positions of Mr Lorenzo Palesi, Ina's chairman, and Mr Franco Viezzoli, the chairman of Enel.

On Saturday, the government named Mr Luigi Meanti, a former managing director of Eni's Snam natural gas subsidiary, as its new chairman. Mr Franco Bernabè remains as managing director, while the four others nominated included a senior academic and the chairman of IBM's Italian subsidiary. However, last night the latter, Mr Ren-

ato Rivero, said he was unable to accept because of current commitments.

The changes at Eni followed this month's arrest of Mr Gabriele Cagliari, its former chairman, and the chairman of four leading subsidiaries. Though some of those arrested have since been released, Mr Cagliari is still being held in Milan's San Vittore prison on allegations of illegal political funding.

The new appointments at Eni, to be confirmed by a shareholders' meeting this week, will be mirrored by similar changes at its subsidiaries, which include the Eni-Chem chemicals concern, the Agip petroleum group and Snam.

Their sizeable boards, sometimes comprising a chairman, deputy and up to three managing directors, are likely to be replaced by six-member bodies.

The number of managing directors is likely to be reduced to one, or at most two, individuals, while political appointees will be excluded.

Milestone nears along road to political renewal

Italy's voting system is among the constitutional reforms tackled in next month's referendums, writes Robert Graham

AS a gentle reminder to the Italian electorate of the complexity of politics, the ministry of the interior is printing 600m voting slips for the country's next appointment with the ballot box. On April 18, Italians are being asked to vote for no fewer than 10 separate referendums.

All these referendums touch on reforms of the existing structure of state; but by far the most important concerns the existing system of proportional representation that has been responsible for 51 unstable post-war government coalitions.

The outcome will determine not only the life of the present government of Mr Giuliano Amato, the prime minister, but also the timing of early elections and the shape of new political alliances. In short, April 18 will be a milestone in the path Italy is treading to renew its

ossified political system and come to terms with the extraordinary situation created by the ever increasing series of corruption scandals.

The referendums are a reflection of a fractious parliament's inability to agree on necessary reforms to the post-war constitution, framed against the background of the Mussolini era and the emerging cold war. The initiative has been taken up by a mixture of civic pressure groups and parliamentarians who have decided to force reform upon the legislature through a popular vote. Their efforts have overtaken the slow-moving joint parliamentary commission on constitutional reform which still has not agreed proposals.

Most notable among those in the "Referendum Movement" is Mr Mario Segni, the son of a former Italian president, who last night announced that he was backing

with the Christian Democrat party, of which he has been a member. The move by Mr Segni, who has represented a clean image for the party, is likely to have a big impact on the party's composition.

In June 1991, Mr Segni saw his first referendum initiative overwhelmingly endorsed - the abolition of multi-preference voting, and the establishment of a single preference vote which limited the ability of the party bosses to manipulate support for their favoured candidates in the general election a year ago.

He is proposing a first-past-the-post system for 238 of the 315 seats in the Senate, with the proportional system retained for the remainder. By implication the reform is likely to cover the more important chamber of deputies. The constitutional reform

commission has accepted the idea of a majority voting system, and the main debate is whether to adopt a British-style single round or a French second round run-off.

In this respect the crushing defeat of the Socialists in France could force a significant re-think on the idea of a second round - or indeed on having up to 65 per cent of the lower house elected by a majority system. Mr Segni remains ambiguous on this point.

The two other important referendums are for the abolition of state funding of political parties - illicit funding is a central issue in the current corruption scandals - and direct election of mayors. Taken together these three referendums would create greater political transparency, accountability and individual voter choice at the expense of the existing corrupt party machines. Parliament

is close to agreeing legislation on direct election of mayors, while a new law on party finance is also under discussion.

Three weeks ago President Oscar Luigi Scalfaro refused to sign the latest proposals in the form of a decree because the legislation extended an effective amnesty to those caught up in the corruption scandals for illicit party funding.

One referendum abolishing the ministry of state shareholdings has already been overtaken by events: the ministry no longer exists. The government is also in the process of heading off another of the referendums, abolishing special aid to the Mezzogiorno (the south), by recasting the whole issue of future assistance to the region. Two further referendums want to abolish the

ministries of agriculture and tourism, transferring their authority to the regions. Three more - depenalising use of drugs, removing environmental matters from local health authorities and ending political appointments of savings banks boards - would have limited impact.

A convincing mandate to implement these reforms means a vote of more than 60 per cent in favour. This cannot be taken for granted. The four-party coalition government has swung behind the Yes campaign largely to avoid the poll being turned into an anti-government vote. To escape being cast as anti-reform, the opposition Party of the Democratic Left (PDS), the Greens, the Lombard League, Radicals and Republicans are also supporting the Yes vote. However, support is by no means monolithic and pockets of opposition remain in most parties.

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Manoeuvring by Russian president damages himself

Yeltsin twists and turns risk support

By John Lloyd in Moscow

RUSSIA'S President Boris Yeltsin is expected to announce today on what he plans to do now that parliament has challenged his planned appeal to the people and his intention to rule by decree. He has come out of his bitter conflict with the Congress of People's Deputies in at best an ambiguous position. Indeed, he has wounded himself as much as he has been hurt by his opponents.

In seeking both to confront the parliament and to make a deal with it, Mr Yeltsin and his advisers have risked losing the support of the country's radicals, support which may be critical when it comes to campaigning for a pro-Yeltsin vote in a referendum or in future elections.

Much of the damage occurred on Saturday night and Sunday morning. It was late in the Saturday session of the parliament when Mr Yeltsin took the microphone and, in a speech which prompted his opponents to accuse him of drunkenness and his supporters to claim that he was drunk and grief-stricken after the death of his mother, he appeared to beg for reconciliation, offering a week of talks between himself, Mr Ruslan Khasbulatov, the parliamentary speaker, and Mr Victor Chernomyrdin, the prime minister.

The next morning, Mr Yeltsin confirmed from his position perched above Mr Khasbulatov that he would immediately drop his idea for a referendum

if the parliament voted for a compromise resolution to hold presidential and parliamentary elections in November. This was opposed; but the damage to his veracity was considerable.

Mr Yeltsin had fulfilled the publicly-stated fears of some of the radical democrats, led by Mr Yuri Afanasyev, the historian, before the parliament met. In a statement, Mr Afanasyev and his colleagues said that while they continued to support the president, they feared he would use his principled position on a referendum as a "bargaining chip" in yet another bad compromise with the parliament.

These fears, after the president's proffered compromise, were picked up and amplified (to the large rally in his support which gathered beside St Basil's Cathedral outside the Kremlin walls) by Mrs Elena Bonner, widow of the late Andrei Sakharov, who was the first to speak.

"The president's speech [the previous evening] made me bitterly disappointed," she said. "I have, do and will support the president, but he must be our president. I wanted him to say: we must continue the economic reforms; I wanted him to say: we will go by the voice of the people, we will have a referendum, and we won't allow any compromises."

It was for these reasons that Mr Khasbulatov, who himself survived a challenge to his post, was at least partly right when yesterday he claimed triumph after four days of an ebb and flow of political fortunes.

Hurd urges western states to stick by Russia

By Robert Mauthner, Diplomatic Editor

BRITAIN'S Foreign Secretary, Mr Douglas Hurd, yesterday made a ringing declaration of support for President Boris Yeltsin, emphasising that the whole process of reform in Russia was associated with his name. Referring to Mr Yeltsin's "courageous economic and democratic programme" Mr Hurd said in an address

to the Konrad Adenauer Foundation in Bonn that the present crisis in Russia would probably not be the last it would face in its adaptation to a new economic and political system. However, "if Russia gets through this drama, it will have secured one more stage in the process of renewal". In spite of the difficulties that undoubtedly lay ahead, the west must not give up on Russia, which was "part of our part of the world".

Mr Hurd told members of the leading German Christian Democratic think-tank. "We shall help not out of sentimentality, not out of hero worship. We shall help based on an assessment of our interests." Mr Hurd urged Mr Yeltsin to resist the temptation of putting political reforms on the back-burner while concentrating on the problems of the economy. Economic and political liberalisation went hand-in-hand.

"If you teach an individual to think and care about costs, profits and the free market, you cannot indefinitely prevent him or her from thinking about elections, changes of government and a free press." Calling for a new trading relationship with Russia, Mr Hurd said that open markets were the best way of helping the country. The European Community should be generous and open its markets to Russian goods. The long-term aim should be to create a free trade area between the Community and Russia.

Mr Hurd also praised Russia's co-operative attitude in the United Nations and said the western nations should show their support for its new foreign policy. If a peace agreement was reached on Bosnia, it would owe much to the Russians. "Their consistent pressure on the Serbs will help bring about a settlement."

Deputies struggle to hang on to the good life

Membership of parliament brings fringe benefits no one gives up lightly

By Dmitri Volkov and John Lloyd in Moscow

MR VLADIMIR ISAKOV is no average deputy. He is an important political figure in the Russian parliament, the guiding intelligence behind the Russian Unity bloc (generally known as "hardline").

In the details of his election and political development since then and in the conditions of his work - his pay, benefits and privileges - lie some of the reasons for the reluctance of many deputies to give up their seats in parliament.

It explains why, yesterday, deputies voted to include a question on their re-election in a referendum set for April 25 - but gave no date, hoping to be able to keep their seats for as long as possible.

Mr Isakov, 43, was elected from the city of Ekaterinburg, which was called Sverdlovsk when he was elected, and was the home base of Mr Yeltsin when he was a district Communist party secretary.

Now one of the Russian president's bitterest critics, Mr Isakov was then a keen, even fervent, member of Democratic Russia, a pro-Yeltsin reform grouping.

His journey across the political spectrum to Russian Unity has been further than most have cared to go, but it is far from unique. Mr Yeltsin had a

majority in this parliament: present voting shows his support to be somewhere between one quarter and one third.

As one of the 245 deputies who serve in the small, permanent Supreme Soviet, he qualifies for a range of - in Russian terms - impressive benefits.

He receives a monthly salary of Rb40,000 (around \$60 at the present exchange rate), more than twice the average wage; he also gets Rb46,000 a month to pay for secretarial or other assistance.

He has an office in the "White House", or Russian parliament: a pleasant flat in Moscow for free; a dacha in one of the 17 dacha settlements or sanatoriums owned by the Russian parliament.

He does not pay for any travel within Russia, and he can always get a seat on Aeroflot aircraft: at nearly all airports except the smallest, there is a "deputies' hall", usually an oasis of peace in a surrounding of noise and squalor.

All of this, plus influence, prominence, and offers of foreign trips, make Mr Isakov's job highly desirable. For his colleagues who are members only of the larger Congress, the benefits are much less. They receive Rb6,000 a month, plus Rb23,000 for assistance and free travel in Russia: it is assumed they will keep their regular jobs.

Although many of these de-



Members of the Congress of People's Deputies attempt to catch the chairman's eye while waiting to speak. Many are reluctant to agree to national elections which might deprive them of their seats - and the not inconsiderable privileges that go with them.

puties have turned into effective local representatives, Mr Isakov said yesterday, however, that "they are now tired of being insulted by their constituents, who think the hard life they're suffering is all their fault".

Mr Isakov freely admits that the good life offered to deputies, many of whom had modest means before, constitutes a "severe problem for our movement".

Though it supports extraordinary elections for both the

presidency and the deputies the Russian Unity group has, he says, a number of deputies who "try to find any rationalisation, any argument, to cover the fact that they don't want to lose what they have gained. They must understand this is a

Nato assails Moscow failure to pull troops from Baltics

RUSSIA'S defence minister, Mr Pavel Grachev, yesterday reaffirmed that the army would stay out of the power struggle in Moscow, but he faced sharp criticism from Nato over the decision to stop troop withdrawals from the Baltic states, Reuter reports from Brussels.

Mr Grachev, attending a meeting of defence ministers from Nato, eastern Europe and the former Soviet Union, said the army would be the "guarantor of stability" in the current crisis. "My instruction to the army to stay out of politics

reached every soldier," he told Italian television in an interview.

However, he drew an angry reaction from Nato allies - including the US, Britain, Canada and Norway - when he told the meeting that a decision to suspend troop withdrawals from the Baltic states was still in force.

Mr Grachev said there had been no agreement between Russian authorities, Latvia, Lithuania and Estonia on the pace of withdrawal and that it had proved difficult to find

housing for thousands of troops that were stationed in the republics.

Mr Manfred Wörner, Nato secretary-general, said there was understanding for Russia's problems over what he called a "temporary suspension" and that some countries - including the Baltics - had offered help with housing. But he added: "There is no doubt that the position of Nato remains firm on the principle... that you should not station troops on the territory of a sovereign state without its consent."

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NEWS: EUROPE

Nato and CIS defence ministers issue joint call on Vance-Owen proposals

Bosnia Serbs pressed over peace plan

By Laura Silber in Belgrade

DEFENCE ministers of Nato and the Commonwealth of Independent States yesterday urged Bosnian Serbs to sign an international peace plan to end the war in Bosnia, and the US said it might send troops to enforce the agreement.

While the Croats and Moslems have signed the plan, drawn up by mediators Lord Owen and Mr Cyrus Vance, the Bosnian Serbs have so far refused to do so. "We call upon the Bosnian Serb leadership to agree to the peace plan,"

defence ministers from Nato, eastern Europe and the former Soviet Union said after their meeting in Brussels.

The Atlantic alliance is planning to send at least 50,000 troops to enforce the agreement, but only when all parties have signed.

Mr Johan Joergen Holst, the Norwegian defence minister, said the figure would probably be around 75,000 but that no country had so far committed forces to take part.

Mr William Perry, US deputy secretary of defence, told the meeting that Washington

might commit ground forces to help make up the total but did not say how many.

"Nato should play an important role and the US stands ready to make a substantial contribution, possibly including ground forces," he said. "Contributions from our eastern partners to an implementation force would be welcome."

Meanwhile, about 2,140 sick and wounded women, children and elderly were yesterday evacuated from Srebrenica, the Moslem enclave in eastern Bosnia, by UN relief workers. The Moslem evacuees,

crowded into 19 lorries, waited in the northern village of Caspade to cross Serb lines to Tuzla.

At least 45 people in the convoy were critically wounded and all the remaining were afflicted with scabies and body lice, said Ms Lyndall Sachs, of the office of UN High Commissioner for Refugees (UNHCR).

Diplomats, who believe Srebrenica is the most vulnerable of the few remaining enclaves in eastern Bosnia, say that despite US air drops the situation there is still "very grave". Nonetheless, the Bosnian

Serb government yesterday protested to the UNHCR over the use of German military aircraft to drop relief supplies over eastern Bosnia.

Germany sent its first cargo aircraft to join the UN-led air drop mission on Sunday night.

The Belgrade-based Tanjug news agency quoted the protest note as saying that this violated an agreement between the Bosnian Serbs, the UN and the US under which Germany would be excluded from the operation "owing to deep-rooted historical reasons". Bad weather appeared to

favour a ceasefire which came into effect on Sunday. It was agreed between UN and Serb commanders and later endorsed by Moslem and Croat leaders.

● In Zagreb, the Croatian government resigned, against a background of increasing economic deprivation. Mr Nikica Valentic, head of Ina, Croatia's state-owned oil company, was named as prime minister to succeed Mr Hrvoje Sarinac.

The republic's economy has been hard hit by the war and the influx of some 700,000 refugees.

Slovak leader tightens grip on his party

By Patrick Blum in Bratislava

THE Slovak prime minister, Mr Vladimir Meciar, has emerged stronger within his own party but more isolated from former political allies after a two-day conference of his governing Movement for a Democratic Slovakia (HZDS).

The first post-independence congress at Trnava near Bratislava endorsed the sacking of his foreign and economic ministers and backed Mr Meciar's ambiguous promise of "carefully managed and controlled" market reform and controlled

Mr Meciar was re-elected party chairman with 183 votes against the 41 received by his main rival, Mr Milan Kuzak, the ousted foreign minister. He said the government had no alternative but to carry out sweeping reforms of the financial and tax systems, public administration, health, education and the labour market during the next two years.

He gave no details of actual reform proposals but said "the transformation [to a market economy] may be achieved in

two years. It is an enormous task, but it will be accomplished."

Mr Meciar who has seen his rating in opinion polls decline sharply from 34 per cent in January to 25 per cent this month, remains the most powerful politician in Slovakia. But he badly needs to bolster the image of an inexperienced government further depleted by the departure of two senior ministers last week.

Mr Ludovit Cernak, economy minister, resigned citing a series of disagreements with Mr Meciar, while Mr Kuzak, with whom the prime minister has had bitter public rows, was sacked.

Mr Cernak's departure is the more serious blow at a time of growing uncertainty about the future of government economic policy and pressure on the currency. The leader of the Slovak National party, he was also the only cabinet member not belonging to Mr Meciar's HZDS, which will now have to assume sole responsibility for the government's actions.

EC defies itself and edges away from TV scrutiny

THE European Community's much-heralded decision at December's Edinburgh summit to open up decision-making to greater public scrutiny is being blocked by several states, to the consternation of the Danish presidency.

After the initial fanfare that greeted the televising of parts of three council of ministers meetings in February, Danish plans to broadcast debates in three EC ministerial meetings this month were vetoed.

Denmark has put down three more debates for TV access next Monday and Tuesday. The member states' ambassadors to the EC will decide, probably tomorrow, whether to agree to their request, in what is being seen as a test of whether the "openness" policy is substance or sham.

Denmark is anxious to demonstrate to its own people that there has been a change in the EC's secretive decision-making, before Danes get their second chance to ratify the Maastricht treaty on May 18. Part of the reason they voted it down last June, Danish officials say, was fear that more and more decisions affecting them were being taken behind closed doors in Brussels.

February's TV debut covered foreign ministers delivering set-piece speeches on the year

ahead, and EC finance ministers did much the same at a later council. At the end of February, agriculture ministers submitted gracefully to having their posturing on this year's farm price package partially televised, but felt bounced into accepting the

David Gardner explains Danish frustrations at blocks on EC debates on TV

cameras by Danish pressure.

"It was felt this was not the way to prepare people for more of this, they felt set up," said one EC diplomat.

Belgium, Portugal and Luxembourg - the member states most sceptical of the exercise - blocked Danish suggestions for televising debates this month on the development of EC transport policy, the EC strategy on global warming, and policing of the common fisheries policy. They were supported passively by what one EC diplomat called "semi-silent voices" on the openness issue. The Danish presidency has

got agreement that the opening of Norway's EC accession negotiations will be televised at next Monday's foreign ministers' meeting in Luxembourg.

But the Danes also want TV access for a ministerial debate on the same day on how to make the EC internal market work, and, on the following day, for a discussion on "employment and social dialogue" - which means the involvement of employers and trade unions in EC decision-making.

"Edinburgh" - where it was decided unanimously that important policy debates and new legislative proposals should be televised - "should be implemented," a senior Danish official says.

But diplomats from member states which are middle-of-the-road on "transparency" say little headway has been made on Denmark's latest demands. The UK, in particular, is reticent about the employment debate.

From the Danish standpoint, the worst outcome might be agreement on broadcasting the internal market debate, but not the employment debate. This might confirm to Danish voters that the EC cares little about the issues to which they give priority, such as social policy and the environment.

King asks Belgium's premier to try again

By Andrew Hill in Brussels

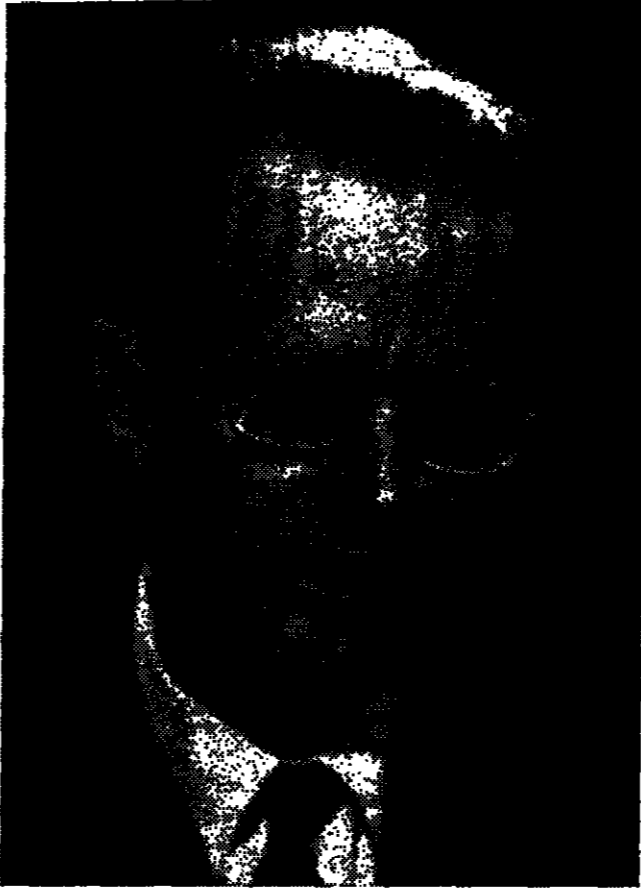
THE king of Belgium has asked his prime minister to seek a solution to the budget crisis which threatens to bring down the government.

King Baudouin said yesterday he had still not decided whether to accept the resignation of the centre-left coalition, submitted a week ago. Instead, he has given Mr Jean-Luc Dehaene, prime minister, a "mission" to mediate between the four coalition parties - Flemish-speaking and French-speaking Socialists and Christian Democrats. No deadline has been set.

The coalition split last week when ministers failed to agree how to raise 250 billion (\$2.5bn) needed to bring the ballooning Belgian national debt into line with Maastricht treaty criteria for European economic and monetary union.

The king's decision, reached after discussions with senior political figures and advisers, shows he is reluctant to precipitate a new election, less than two years after the last one.

Mr Dehaene's spokeswoman said the mission would allow the prime minister to broaden



King Baudouin: reluctant to precipitate another election

the search for a solution to include talks with leaders of the four coalition parties as well as with ministers. But she made clear that Mr Dehaene would not be discussing solutions with opposition.

Belgium's Liberal opposition parties are calling for a fresh election, in spite of the fact that almost all traditional parties lost votes in the November 1991 poll. Belgian citizens registered their discontent by voting for extremists, Greens and anti-political parties.

Romania angers its ethnic Hungarians

By Virginia Marsh in Bucharest

ROMANIA's ethnic Hungarian minority has accused the government of practising "ethnic purification" within state institutions, following the appointment of ethnic Romanian prefects in two Transylvanian counties inhabited predominantly by ethnic Hungarians.

"Hungarians are still considered inferior citizens not able to fulfil posts of political responsibility," said the Democratic Union of Magyars in Romania (DUMR) which represents the country's 1.7m ethnic Hungarians.

The appointment of the prefects to Harghita and Covasna,

where more than 75 per cent of the people are ethnic Hungarians, was only the latest example of continuing discrimination against the minority and contradicted the government's declared wish for integration into European structures, the DUMR said.

The government, a left-wing minority which rules with the support of nationalist and ex-Communist parties, appointed the two prefects last week, overturning a compromise reached last summer which installed one ethnic Romanian and one ethnic Hungarian to govern each county jointly. Previously ethnic Hungarians had held the two posts.

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FINANCIAL TIMES TUESDAY MARCH 30 1993

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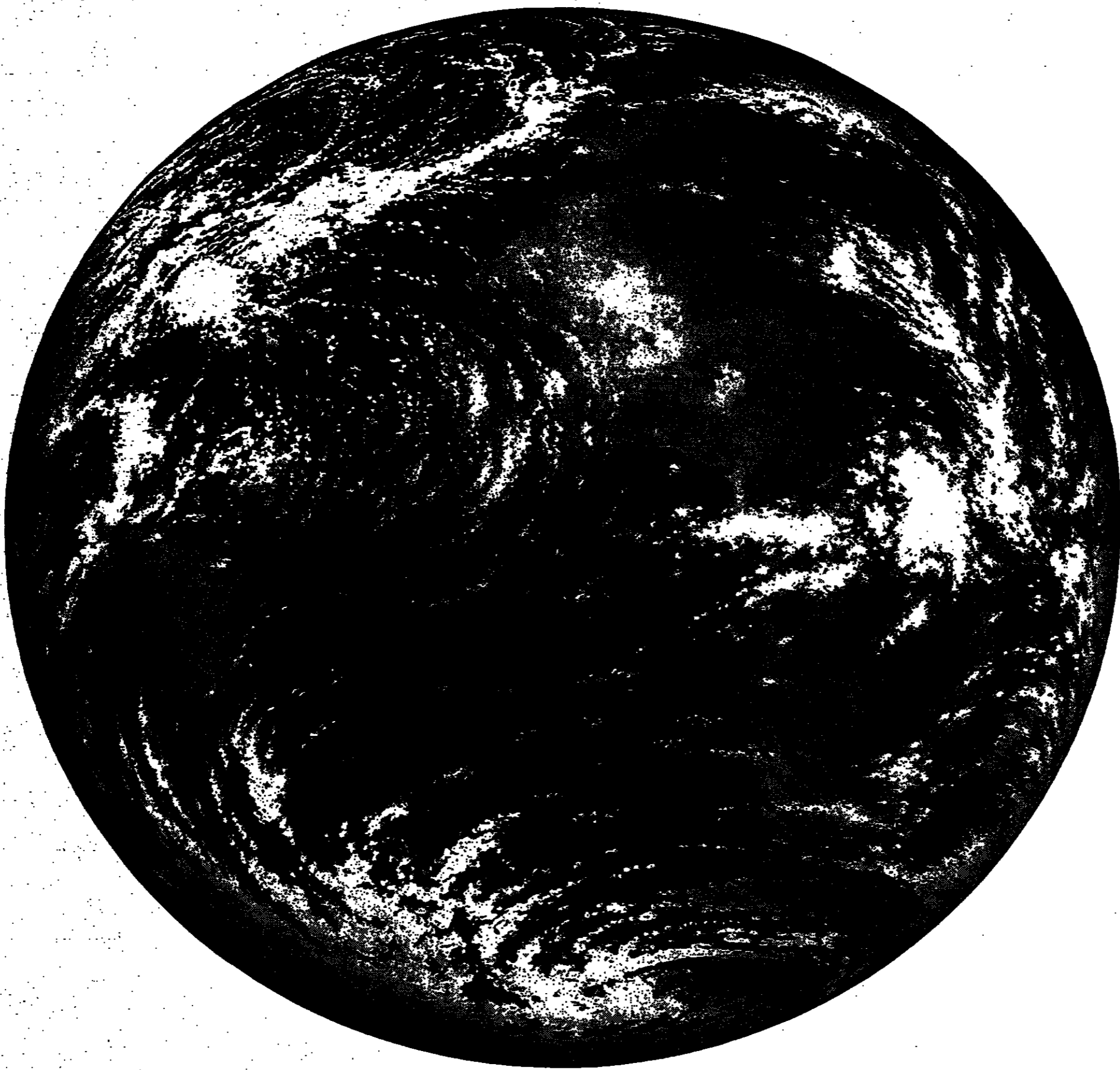
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NEWS: INTERNATIONAL

India expected to press on with project despite cancellation fears

World Bank ready to drop \$3bn dam

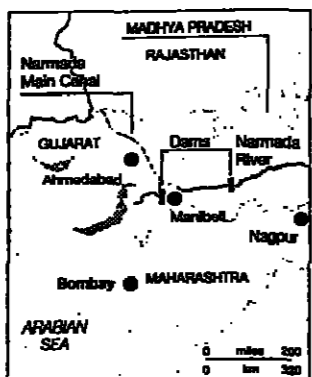
By Stefan Wagstyl
in New Delhi

THE World Bank is almost certain to pull out of a half-finished \$3bn (\$2bn) scheme to dam the Narmada River in north-western India, following criticism of the project's impact on the environment and on villagers who will lose their land.

But the Indian authorities are likely to press ahead with the project, which would generate hydroelectricity and bring irrigation and drinking water to about 30m people.

The Indian government is expected to disclose this week that it will not meet tough conditions laid down by the World Bank six months ago for its continued participation in the scheme.

India was asked by the bank



to improve detailed plans for resettling displaced villagers and prepare a full study of the project's environmental effects. The deadline set by the bank expires tomorrow.

The bank's likely decision will highlight the growing

power of international environmental campaigners and raise doubts about the value of projects such as dams in developing countries. It could also prompt questions about future relations between aid agencies and Third World governments.

The bulk of the \$450m loan the World Bank committed to the project has already been spent. The bank's decision will block the release of the remaining funds and could persuade the project's other foreign backers, including Japan, which has promised loans worth \$25bn (\$14.7m), to withdraw.

The Narmada project, first mooted in 1946, was delayed by disputes between the three states which share the Narmada's waters - Gujarat, Maharashtra and Madhya Pradesh. The arguments were resolved

only in 1979 and it was not until 1985 that the World Bank approved its loan.

By then, environmental lobbyists' power in India and overseas was growing. Economists were starting to question the merits of big dams, on the grounds they rarely deliver the full benefits expected, and often cause unforeseen environmental damage.

But the Indian government and the World Bank saw the Narmada scheme as a chance to learn from past mistakes. So the scheme went ahead with stringent conditions for resettling and paying compensation to displaced villagers and for an environmental master-plan. But the conditions were not met. Pressure from activist groups forced the World Bank in 1991 to commission an unprecedented independent

review by Mr Bradford Morse, a former senior US development aid administrator, and Mr Thomas Berger, a former Canadian Supreme Court judge.

The report, delivered last summer, condemned the alleged failure to protect the environment or the interests of displaced villagers.

While World Bank officials continued to back the project, the bank's directors, representing member countries, began to voice doubts. The US, Japan and Germany, among others, last autumn raised the possibility of dropping the scheme. But a bank board meeting in October agreed to give India until March 31 to meet new conditions.

India has been unable to forge a consensus on the bank's conditions between the

central government and three interested states, not least because New Delhi has been preoccupied with the recent wave of inter-religious violence.

Some Indian officials will be relieved they can continue with the scheme without time-consuming monitoring from the World Bank. They claim the bank has exercised inordinate influence, given it was contributing only some 15 per cent of the funds.

But the World Bank's pull-out could well boost the efforts of Indian anti-Narmada campaigners, who have won national attention by staging demonstrations at the reservoir which is steadily filling up behind the Sardar Sarovar Dam, the biggest of several being built across the Narmada and its tributaries.

Japan groups' capital outlay due to fall 4%

By Robert Thomson in Tokyo

CAPITAL spending by Japanese companies is likely to fall by 4 per cent next fiscal year, according to the Long-Term Credit Bank of Japan, whose gloomy forecast comes as some companies are already halting the end of the downturn.

A surge in Tokyo stock prices has stirred debate on whether a recovery is imminent, but the LTCB's influential survey of corporate spending plans found little reason for optimism.

The bank estimates capital spending will fall 3.9 per cent in the year ending tomorrow, and another 4 per cent next fiscal year, the biggest drop since 1970 and the first time the bank has forecast two consecutive years of decline.

"Virtually all industries are trimming their investments, the only exceptions being mainly in the fields of electric power, gas and land transportation," LTCB said. "Many industries that have been slow to adjust to economic changes will finally begin cutting their investments in earnest during fiscal 1993."

The bank forecasts that investment in facilities and equipment by manufacturing industry will fall 12.9 per cent in the next year, following a 15.6 per cent drop this year. Steel makers told of tomorrow they will be cutting capital spending by 20.8 per cent.

Meanwhile, officials of the ruling Liberal Democratic Party are finalising details of an emergency economic package, likely to be unveiled on April 8. The LDP yesterday held talks with opposition parties on the spending proposals, which Mr Kiichi Miyazawa, the prime minister, wants to bring with him on a Washington visit on April 15.

Opposition politicians yesterday demanded the package contain income tax cuts of ¥4260bn (\$36.6bn), which have been strongly opposed by the finance ministry. The opposition argues the emphasis on infrastructure spending in a package last year had little effect on the weakened confidence of most consumers.

Japan's labour office ruled yesterday that a supermarket attendant who died after working 360 days in a row was not a victim of *karoshi* or death from overwork. Reuter adds from Tokyo. Kyodo news service quoted Labour Standards Inspection officials in Yokohama as saying the man was not sick seven days before his death, so his family was not entitled to compensation.

A claim filed by his widow said Yui Iguchi, 43, worked 360 days during 1989. After taking the first three days off in 1990, he worked until February 10, 1990, when he collapsed, dying two days later. Japan's labour standards say a victim of *karoshi* must be sick or suffer injury one week before death.

Nigeria turns to business leaders

By Paul Adams in Port Harcourt

TWO WEALTHY businessmen with no direct experience of government will contest Nigeria's presidential elections, due to take place in June.

A scheduled handover of power in August would end a decade of military rule in the country.

Mr Bashir Tafa, a businessman from the northern city of Kano, won almost unanimous support from the 5,000 delegates at the National Republican Convention (NRC) convention on Sunday in Port Harcourt.

Mr Miko Abiola, who owns a domestic airline and newspaper group, was endorsed at the Social Democratic Party (SDP) convention in the central Nigerian city of Jos on Sunday.

Both men are Muslims but have contrasting approaches to politics. Mr Tafa has a low-key style but lacks the popular appeal and oratory of Mr Abiola.

A key factor in the outcome will be the choice of running mates. Mr Tafa is likely to choose a Christian from the south, while some observers expect Mr Abiola to select a prominent northern Christian.

But there is a strong possibility that Mr Abiola may be confident enough of the backing of the predominantly Christian Yoruba ethnic group, to which he belongs, to choose a northern Muslim politician in order to strengthen his appeal in the region.

In the NRC convention, Mr Tafa heavily defeated his main rivals from the north, Dr Dabhai Tafa and Mr Samalla Mamman, for the nomination. Mr Joe Nwodo, a prominent lawyer from Enugu, finished third and is expected to be Mr Tafa's nomination for the vice-presidency.

Mr Abiola narrowly won the first ballot of the SDP's convention, with 3,617 votes, 322 more than his main competitor, Mr Baba Gana Kingibe.

Voting at the conventions was well ordered and peaceful. Since January the National Electoral Commission has assumed direct control of the two parties' presidential campaigns and has so far succeeded in eliminating electoral irregularities which marred last year's primaries and led to the disqualification of all last year's presidential aspirants.

Canberra in budget deficit commitment

By Kevin Brown in Sydney

MR JOHN DAWKINS, the Australian treasurer, yesterday sought to calm nerves in financial markets by reaffirming the re-elected Labor government's commitment to cut the federal budget deficit.

He said the Canberra government stood by its pre-election promise to cut the deficit from about 4 per cent of gross domestic product this year to about one per cent by 1996-97.

Mr Dawkins' comments contrasted sharply with reports last week that he regarded the deficit as less important than a drop in unemployment from its near record level of 11.1 per cent.

Fears that fiscal policy would be loosened sparked a wave of selling on financial markets on Friday, but prices recovered after his comments.



Angolan government soldiers walk along a bush road to join an offensive against UNITA troops at the city of Huambo, recently fallen to the rebels. Some 3,000 soldiers have been trekking for three weeks to reach the battle lines as UN trucks supply refugees with food.

Mubarak urges Middle East to jump aboard last peace train

By Roger Matthews and Mark Nicholson in Cairo

EGYPT believes that only "small measures" are required from Israel for Middle East peace negotiations to resume on schedule in Washington on April 30.

President Hosni Mubarak, speaking after weekend talks in Cairo with President Hafez al-Assad of Syria and Mr Yasir Arafat, chairman of the Palestine Liberation Organisation, said that he would be contacting Mr Yitzhak Rabin, the Israeli prime minister, after his talks next week with President Bill Clinton.

Mr Mubarak also gave notice to the US that on the question of civil and military aid, Egypt expects to be treated no less well than Israel. Mr Rabin recently received an assurance from the US that there were no plans for any reduction in the \$3bn (\$2.1bn) that Israel receives annually. The US commitment to Egypt is for \$2.1bn a year, a sum exceeded only by aid to Israel.

On the peace process, Mr Mubarak said that Mr Rabin had already made clear that the deportation of 415 Palestinians in December - the issue blocking the resumption of negotiations - was an "extraor-

inary" act. He praised the Israeli leader for taking "some good steps" and added that his bilateral contacts with Mr Rabin were a key factor in getting talks restarted. He planned to contact Mr Rabin as



soon as he returned from Washington.

But Mr Mubarak, who has emerged this week as the key intermediary in efforts to revive the peace talks, warned that time was running out. "We are anxious to help all the parties involved, with the

co-operation of the US, to reach a comprehensive settlement."

He had discussed the issues preventing the resumption of talks at the weekend with President Assad and Mr Arafat and said "there are still some

last train for peace and I want to make sure all the passengers are on it."

Mr Mubarak believed it was vital for the Clinton administration to become a full partner in the peace process, not simply to put pressure on Israel but to "help and mediate". "That does not mean we are going to neglect having the Americans put pressure on the Israelis. But the main thing is to have good contact with the Israelis. We are working hard with the Israelis in this sense."

He cautioned other Arab governments against over-reacting to recent statements by Israel and the US on strategic co-operation. "There is nothing new in this," he said. "They have co-operation in so many ways. I have told them not to be nervous about this."

Mr Mubarak said he would also be discussing Iraq with President Clinton and warned that the break-up of that country would be very dangerous. "All of us would suffer. It would be very dangerous for all for the whole area, including Europe. You may not realise it now. You would have three countries creating problems. What I shall be discussing with President Clinton is ways of helping the people of Iraq."

clouds." But he added: "We are trying to solve the problem of the deportees. I do not want to miss the April 30 date because I think that the efforts now being made may be the last efforts for solving the Middle East problem. We don't want to miss this train. This is the

economic revolution once Mr Deng, who has aged noticeably in the past year, leaves the scene.

This eighth NPC since 1949 - China's parliaments meet annually and run for five-year terms - has also provided Mr Deng and his reformist supporters with an opportunity to strengthen the collective leadership.

The appointment of Mr Jiang Zemin, general secretary of the Communist Party and chairman of the Military Commission, to the additional post of state president is part of this process.

Economic revolution, Page 21

Beijing gears up for speedy reform

By Tony Walker in Beijing

CHINA yesterday installed a younger, more technocratic government to spearhead speedy economic reform demanded by its ageing leader, Mr Deng Xiaoping.

The National People's Congress, or parliament, also accepted a new constitution that enshrines Mr Deng's capitalist-style economic reforms and confirms China's opening to the outside world.

Mr Zhu Rongji, 65, known as China's economic "car", was elevated to the post of senior vice-premier with specific responsibility of ensuring that Mr Deng's reformist legacy is preserved.

The NPC also approved one of the largest government reshuffles in history with 22 new ministers out of 41, including the appointment of Ma Junxi, 53, as head of the powerful Trade Ministry and is regarded as a rising star.

New vice premiers include Mr Qian Qichen, 65, who also retains his post as foreign minister, and Mr Li Langping, 61, the former trade minister. The fourth vice premier is Mr Zou Jiahua, 67, who has already served one five-year term.

China's new constitution - the fifth since the founding of the People's Republic - embraces the phrase "socialist market economy" to describe the country's capitalist-style reforms that produced an economic growth rate last year nearing 13 per cent.

The constitutional change mirrors resolutions adopted at the 14th Communist party conference last October which gave formal blessing to the move away from rigid central economic control.

China's new leadership is meant to provide both the expertise and commitment needed to underpin the country's economic revolution once Mr Deng, who has aged noticeably in the past year, leaves the scene.

This eighth NPC since 1949 - China's parliaments meet annually and run for five-year terms - has also provided Mr Deng and his reformist supporters with an opportunity to strengthen the collective leadership.

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Economic revolution, Page 21

NEWS IN BRIEF

N Korea will defy N-arms deadline

COMMUNIST North Korea made clear yesterday that it will defy an ultimatum to open two suspected nuclear weapons sites to international inspection, even at the risk of incurring UN Security Council sanctions, Reuter reports from Tokyo.

Facing a deadline of tomorrow to allow access to the sites, Pyongyang disputed the legality of a threatened referral of the nuclear issue to the Security Council.

The foreign ministry said that if the US and other nations sought to impose sanctions, "we will be compelled to take a powerful self-defensive measure".

Kuwait calls for Iraq oil cash

Kuwait yesterday called for international pressure on Iraq to sell oil for cash to compensate civilians, companies and governments which suffered losses in Baghdad's invasion of the emirate in 1990, Reuter reports from Geneva.

Speaking to the United Nations Compensation Commission in Geneva, a senior Kuwaiti official also said it was time to consider transferring part of Iraqi assets frozen abroad into a special UN coffers set up to pay Gulf War reparations.

Opposition leader's sentence cut

Malawi's Supreme Court yesterday reduced the prison sentence of opposition leader Chakufwa Chihana from two years to nine months, enraging the opposition that had hoped he would be freed, Reuter reports from Johannesburg.

An opposition official repeated allegations that prison guards were forcing Chihana to work as a labourer despite his poor health. Mr Chihana, 52, is a leading trade unionist and opposition campaigner.

Exiled Lesotho party returns

The Basotho Congress Party (BCP) has put two decades of exile behind it to win Lesotho's first general election in 23 years but the former ruling party which once banned it cried foul. Reuter reports from Maseru. The electoral office said of the BC won a clear majority in weekend polls, taking 36 out of 65 constituencies.

The BC's main rival, the former ruling Basotho National Party (BNP), had not won a single seat for the 243-member parliament by mid-afternoon yesterday. Full results were not expected until Friday.

UK and Pakistan in trade talks

Mr John Major, UK prime minister, held talks yesterday with Pakistani Premier Nawaz Sharif on trade issues and tensions between India and Pakistan.

A British official said Mr Sharif, who stopped in London on his way to Germany for a five-day official visit, also briefed Mr Major on Pakistan's economic liberalisation programme. The one-hour meeting was described as "extremely friendly".

Manila set to deal with crippling power shortages

'Brownouts' have been a factor behind the nation's largely stagnant economy, writes Joe Galang

THE PHILIPPINE Congress seems set to grant "emergency powers" to President Fidel Ramos to deal more decisively with electricity shortages crippling the economy.

Much of the main Luzon island, including Metro-Manila, has been suffering daily power disruptions that have become longer - up to eight hours on some days - since the start of the year. The shortages, or "brownouts", have been a significant factor behind the largely stagnant economy over the past few years.

In spite of reservations in some quarters because of their association with the strong-arm regime of the late Ferdinand Marcos, the emergency powers are viewed as necessary by Mr Ramos's economy managers, whose campaign for

reforms in the energy sector have run into opposition.

The Philippines is due to resume negotiations with the International Monetary Fund on April 15 on a medium-term economic programme to succeed the 18-month stabilisation programme that expires tomorrow. Power-rate increases necessary to help narrow budget deficits are vital to the successful conclusion of the discussions.

The Philippines, though enjoying historically high reserves of more than \$5bn (\$3.5bn), feels it still needs the IMF's "seal of good housekeeping" because its traditional creditors anchor their own lending programmes to the country on such imprimatur.

After the first round of negotiations last February ended without a deal, other multilateral and bilateral lending institutions have also suspended disbursements for power-related projects. Talks for new financing have also been frozen.

The Philippines has presented to the IMF a "growth-oriented" programme seeking financial support of some \$800m-\$1bn over the next three years. Mr Ramon del Rosario, finance secretary, expects this programme to be the last of the series the country has sought from the fund.

Under the programme, overall growth this year will be targeted at 3.5-4.5 per cent, with inflation being kept at 7.5 per cent. The programme aims at putting the economy on track towards double-digit growth rates by the end of the Ramos administration in 1998.

However, revenue-enhancement measures and power-rate increases have been imposed as conditions by the IMF. These are aimed at narrowing the fiscal deficit, a chronic problem that had led to high inflation for years.

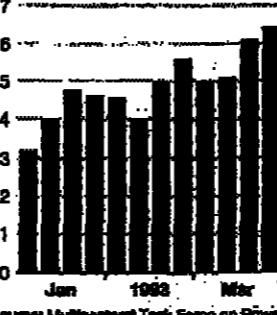
The power-rate increases, for the state National Power Corporation (Napocor), were approved by the government late last year, but a court case filed by a lawyers' group resulted in a restraining order issued by the Supreme Court. Without the higher rates, Napocor will not be able to meet returns that its creditors, mainly the World Bank, require on its operations.

On the other hand, new power plant projects being planned by the government have also been facing delays resulting from complicated bidding procedures and in securing environmental clearances.

Mr Ramos's emergency powers will be aimed at overcoming these circuitous procedures to keep energy programmes on the move again. The power-rate increases, for instance,

Philippines: darkest hours

Number of "brownout" hours (average hours per day)



Source: Multilateral Task Force on Power

would be reimposed, although the courts will still continue to hear opponents' arguments.

Also expected to get a boost are the baseload power plants targeted to be on line by 1995. These plants will have a combined capacity of 1,600MW, enough to cover present deficiencies and provide a comfortable reserve that will allow Napocor to refurbish its ageing plants.

Napocor's power plants are about 25 years old and prone to breakdown. Last year, the government devised a programme to put up six fast-track plants that should be ready to meet the increased demand during the summer months starting in April.

The first of such fast-track plants, the 100MW Hopewell-2, is set to be inaugurated tomorrow. On April 11, two others

are due for commissioning, with the rest due to come on stream over the next four months.

The fast-track projects are gas turbines or diesel-fired plants, which make them expensive over long periods of operation. These plants, according to officials, can only be stop-gap measures, and the real solution to the problem is for construction of the baseload plants.

Meanwhile, many large business groups appear to have relied more on their gut feelings rather than on Napocor's assurances on the fast-track plants, and have gone on to acquire their own generating sets. Private economists expect overall economic growth this year to reach only about 1.5 per cent, owing to the power shortages.

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IADB annual meeting optimistic of more agreements by end of year Hopes rise for debt relief accords

By Stephen Fidler in Hamburg

MOST of the countries in Latin America without debt relief accords with creditor banks could secure agreements by the end of the year, according to bankers at the Inter-American Development Bank annual meeting in Hamburg.

They say significant progress has been made in recent talks with a number of Latin American governments. "This should be a year where we can finalise Argentina and Brazil and get agreements in principle with Ecuador, Peru, and Panama," said Mr William Rhodes, vice-chairman of Citibank, a leading Latin American creditor.

His statement reflects a growing sense of progress at the meeting and, if correct, means only the Dominican Republic is left among significant bank debtors without some agreement this year. Other developments are: Argentina is set to finalise its deal on April 7, a year after it signed an agreement in principle.

A more favourable mix than expected of choices by banks from the six options negotiated under Brazil's debt reduction agreement. Furthermore, the amount of debt covered by the agreement is some \$3bn-\$5bn less than the \$40bn (\$28.1bn) expected, making a finalisation of the agreement an easier prospect.

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moment representation on the board.

Mr Hans-Peter Reppik, parliamentary state secretary at the Ministry of Economic Co-operation and Development, also questioned whether a large increase in capital was necessary for the bank, given that it was to reduce leading to cover balance of payments deficits.

Non-regional shareholders do not have per-

bank, a leading Latin American creditor.

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Jamaican voters set to back reform

By Carole James in Kingston

JAMAICA votes today in a general election which opinion polls indicate will give the incumbent People's National party a clear victory. This would hand Mr P J Patterson, the prime minister, the mandate he is seeking to continue economic reforms started four years ago.

Mr Edward Seaga, leader of the opposition Jamaica Labour party and a former prime minister, has suggested, however, that the race will be closer than many expect.

A poll published at the weekend gave the PNP a 7 point lead and possibly 44 of the 60 parliamentary seats at stake.

The three-week campaign has been marred by violence. Two people have been killed despite a code of conduct signed by political leaders committing all candidates to restraining their supporters.

Mr Patterson called the election 11 months earlier than necessary, apparently hoping to capitalise on dissent within the opposition. He took over the premiership a year ago when Mr Michael Manley retired because of poor health.

The electorate is being asked to decide on the style and form of the economy's management, rather than economic direction. The PNP has switched direction on economic policy, advocating and implementing free-market initiatives with the divestment of state enterprises and deregulation of the foreign exchange market.

Mr Seaga has argued, however, that the government has moved too far and too fast in deregulating the economy. Flotation of the Jamaican dollar 18 months ago was done too soon, he argues.

But the JLP's credibility was dented by a rebel faction attacking the leadership. Most of the rebels are back in the fold but another election defeat for Mr Seaga is likely to raise questions about his leadership.

Indeed, if the Clinton administration's vision of a hemispheric free trade area includes ideas such as these, it is less likely to receive widespread acceptance in Latin America's capitals.

Some Nafta supporters worry that the tougher restrictions imposed by the side agreements, the fewer the companies that will be interested in moving south to take advantage of Mexico's cheaper labour. That would please American trade unions but render the accord less useful to a Mexican government seeking investment.

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Clinton health team considers axing Medicaid

By Michael Proulx in Washington

THE Clinton administration is considering phasing out the Medicaid programme for the poor under a wide-ranging series of reforms designed to make the healthcare system fairer and more cost-efficient.

Speculation that Medicaid might be abolished surfaced yesterday as the White House healthcare reform task force held its first public meeting in Washington, just five weeks before President Bill Clinton is due to send a reform proposal to Congress. The meeting is due to hear evidence from consumers, business, the medical profession, unions, minorities and the health insurance industry.

Mr Al Gore, vice-president, pledged at the beginning of a marathon session, scheduled to last 13 hours, that every American would be delivered from the fear of unpayable medical bills. He was standing in for Mrs Hillary Rodham Clinton, chairwoman of the task force, who was with her sick father.

Medicaid was set up by the Johnson administration in 1965 and is financed by state and federal government. The cost of the scheme has escalated sharply in recent years even though it covers only about half of those living below the official poverty line.

The New York Times reported yesterday that the task force was considering phasing out Medicaid as a way to end "segregation of the poor" in a low-quality programme in which access to care was more tightly restricted than for more affluent Americans. The administration was considering introducing several new benefits for the poor, including more generous dental care and transport to surgeries.

The reform plan is expected to be based on a variant of "managed competition". Leaks in recent weeks suggest the administration wants to group Americans in large regional "health insurance purchasing co-operatives" that would buy care on behalf of individuals and companies from networks of competing providers in the private sector. The hope is that the HIPC would have the market power to drive a hard bargain with doctors and hospitals, thus restraining the rate of healthcare inflation.

But many prominent Democrats, including Mr Mario Cuomo, governor of New York state, are lobbying for more direct controls on the price and volume of medical services.

Providing standard health benefits for the 35m or so Americans without insurance is expected to cost between \$30bn and \$90bn a year, depending on the type of reform adopted.

The New York Times

SALES OF new homes in the US rebounded in February to grow 4.6 per cent to a seasonally adjusted annual rate of 596,000 units, according to government figures released yesterday. Builder reports from Washington.

The rise last month follows a sharp 12.7 per cent decline in January, the worst in a decade. Separate figures released yesterday showed US personal income rose 0.3 per cent in February to a seasonally adjusted annual rate of \$5,230bn (\$3,683bn), after a gain of 0.5 per cent in January.

Spending increased 0.6 per cent in February to a seasonally adjusted \$4,260bn, following a gain of 0.3 per cent in January.

The savings rate - savings as a percentage of income - fell to 4.1 per cent from 4.4 per cent in January and December.

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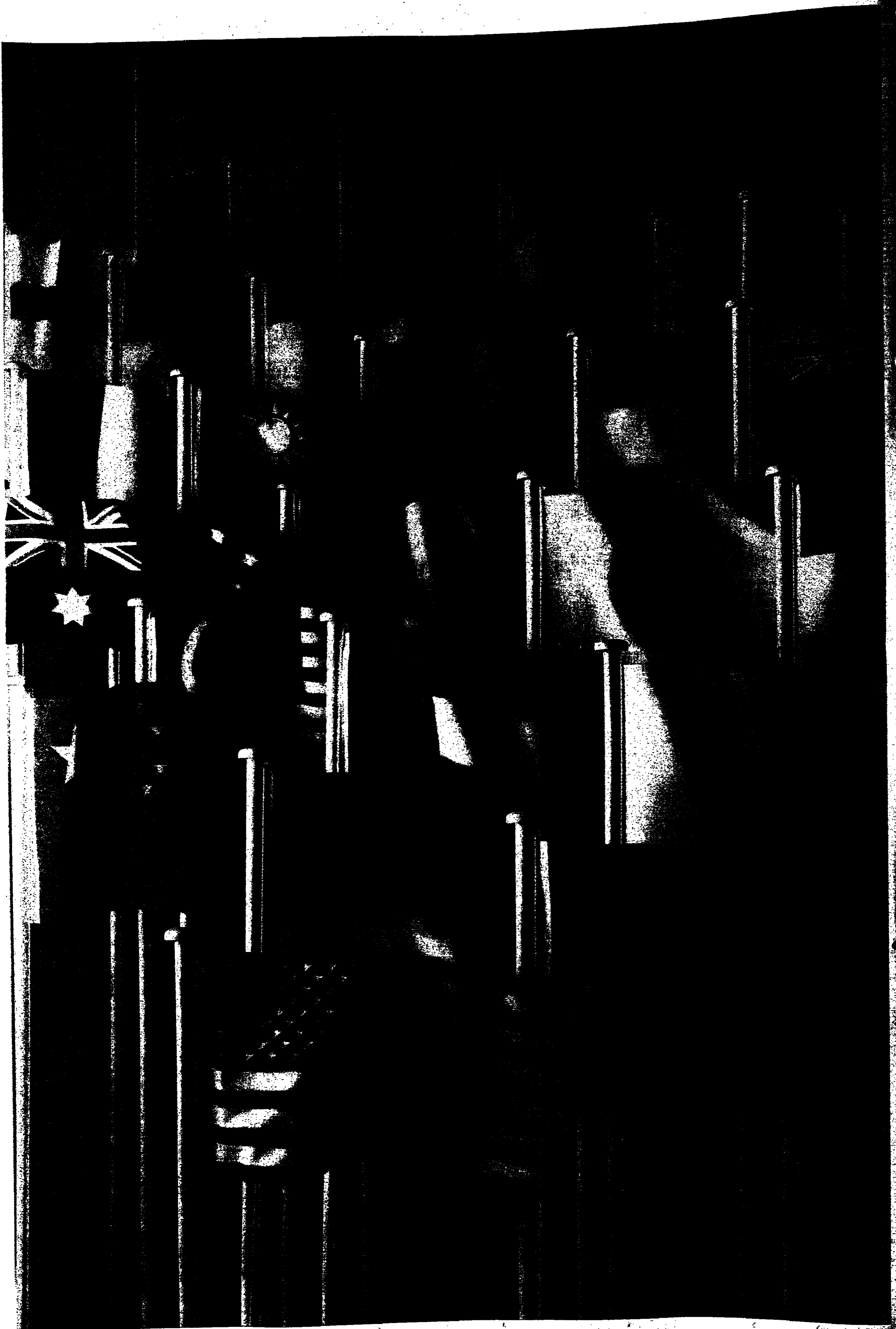
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U.N. Headquarters? No, Tiphook branch offices.

Your experience of Tiphook may well extend no further than occasionally cursing one of our trailers or containers that's impeding your progress on the motorway.

But that's understandable, since you'd need more stamps in your passport than Alan Whicker to fully appreciate the extent of our international activities.

The fact is we operate from 312 locations in 38 countries.

From them we rent transportation equipment to the world's shipping lines and Europe's transport operators.

Our Central Trailer Rentco fleet, numbering some 34,000 trailers, is the largest in Europe. And our fleet of 530,000 TEU of rental containers is now the second largest in the world.

It's obvious from these figures that transport equipment rental is now a fundamental element of world trade.

And it isn't hard to see why.

Shipping lines have no desire to spend money moving empty containers around the globe because of imbalances in world trade.

Likewise, manufacturing and distribution companies don't want trailers standing idle incurring expensive overheads.

By renting containers or trailers from Tiphook, they neatly avoid these problems, free-up capital and are able to concentrate on their core business.

We can rent them as many as they need, from wherever they want, for as long as they like.

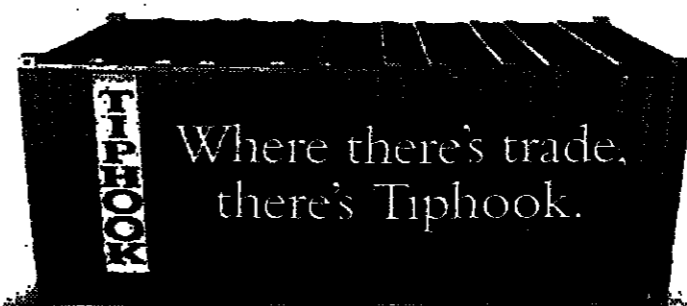
To be sure of meeting our customers' needs we employ the very latest management information systems using our global computer network.

We also give them something rather more old-fashioned: service.

Our business is built on forging long-term partnerships with our customers by providing high-quality equipment, efficient maintenance and, above all, flexibility.

It's an attitude that, over the last decade, has brought hundreds of millions of pounds in foreign earnings to these shores.

So next time you're stuck behind one of our trailers or containers, just think: it's been doing a splendid job flying the flag for Britain.



NEWS: WORLD TRADE

World trade body's members look for leadership change

Dunkel to quit Gatt post

By Frances Williams in Geneva

MR Arthur Dunkel, director-general of the General Agreement on Tariffs and Trade, intends to step aside at the end of June when the six-month extension of his mandate granted last year expires.

Sources close to Mr Dunkel, who was appointed in 1980, said yesterday that he neither wanted nor expected to be asked for a second extension.

There had been suggestions Mr Dunkel might be requested to stay a further six months to oversee completion of the six-year Uruguay Round of global trade negotiations, already two years overdue. The new US administration has said it wants to finish the Round by the end of 1993.

But there seems to be growing consensus among Gatt members that new blood is needed, not only to help move the Uruguay Round negotiations but also to provide fresh leadership for the 106-nation organisation. Mr Dunkel's American deputy, Mr Charles Carlisle, has made clear his wish to step down this summer, and the second deputy post, traditionally held by a third world national, has been vacant since 1991.



Arthur Dunkel: neither wants nor expects a second extension

Gatt members, who appoint the director-general and deputies, have already begun the lengthy process of political horse-trading to achieve regional and economic balance between the top jobs. But, with Gatt's future dependent on the outcome of the Uruguay Round, they do not yet know if

they are seeking a political heavyweight to run a powerful world trade organisation or a capable administrator to operate a contractual trade agreement.

Mr Peter Sutherland, former EC competition commissioner, who is Irish, is seen as a possible successor to Mr Dunkel, a

Swiss. Other names floated include Mr Brian Mulroney, the ousted Canadian prime minister, Britain's Lord Lawson, and Mexico's President Carlos Salinas.

Mr Warren Lavorel, currently chief US negotiator for the Uruguay Round, has been tipped to succeed Mr Carlisle.

China to buy 12 Airbus aircraft

By Ariane Genillard in Bonn

CHINA is to buy 12 Airbus aircraft and is considering acquiring a further nine, Mr Günther Rexrodt, the German economics minister, announced in Beijing at the start of a four-day visit.

A first contract for the purchase of six Airbus A340s is due to be signed during his visit, he added, after meeting Mr Wu Yi, the Chinese foreign trade minister.

Chinese officials also presented the German delegation with a list of 200 acquisitions, worth about \$300m (£21.1bn). The purchases, spread over the next seven years, include steel works, high-speed trains, transport technology and telecommunications equipment. China is also considering buying two power stations and ships.

Links with east German enterprises should be strengthened by the creation of a trade commission, due to meet in Berlin in September.

Short-term contracts for goods from east German enterprises, worth about \$150m and mostly for textiles, were announced.

Swiss take a sterner line on arms-related exports

By Ian Rodger in Zurich

TIME was when the Swiss could, and did, get away with exporting weapons discreetly to anyone.

No more. Last Friday Mr Walter Gubler, chief executive of Pilatus, a small Swiss aircraft manufacturer, was dismissed after reports in the press that the company had sold aircraft to the Burmese government knowing they would be fitted with weapons.

According to other press reports, the company's PC-7 and PC-9 single engine training aircraft, modified for military use, had also been involved in conflicts in countries including Iraq and Angola.

Pilatus, a subsidiary of the Zurich based Oerlikon-Bührle weapons and engineering group, has admitted PCs were

tested for weapons use in Burma in 1987 in the presence of two of its engineers.

At a hastily called press conference, Mr Ernst Thomke, chairman, admitted the company had made fundamental mistakes and offended the spirit of the Swiss war equipment law.

The company is clinging desperately to a Sfr250m (£111.5m) order to sell 80 of its PC-7s to the South African government. Without the order there would be big redundancies among the 1,000 staff.

Shortly after the order was announced last December, the South African committee of the UN Security Council complained to the Swiss government that it violated the UN embargo on arms shipments to South Africa.

The Swiss government and

Pilatus, backed up by Pretoria, said then that the aircraft were to be used only for training. They said the wings of the PC-7s needed to be strengthened to carry auxiliary fuel tanks because of the large distances flown in South Africa.

But as evidence emerged that other customers had used the under-wing auxiliary fuel tank attachments for bombs, the Swiss government changed its tune. Three weeks ago Mr Kaspar Villiger, the Swiss defence minister, threatened publicly to block the order "if it cannot be guaranteed that subsequent arming is ruled out by technical modifications".

Pilatus said last week that the wings of PC-7s and PC-9s ordered by certain countries would in future be modified so they could only carry additional fuel tanks.

S Korea deal for Eni subsidiary

NUOVO Pignone, the Italian turbines and compressors manufacturer, has signed a 10-year co-operation deal with South Korea's Halla Engineering and Heavy Industries group, writes Haig Stronman in Milan.

The agreement will allow the South Korean company to

manufacture under licence Nuovo Pignone turbines of between 24MW and 104MW for the local market and neighbouring countries. Some crucial parts will continue to be supplied from Italy.

Among possible applications for the new turbines, used for

driving compressors or generating electricity, is a planned 4,600km natural gas pipeline from Siberia to South Korea.

NUOVO Pignone, controlled by the Eni energy and chemicals state holding company, is high on the government's privatisation list.

Co-operation lifts Russian aero industry

A NEW spirit of international co-operation in the Russian aerospace industry bears its most elaborate fruit today when the first airliner to be jointly built by Russian and US companies is rolled out in Moscow.

The Ilyushin IL-96M is Russia's challenge to the new generation of long-haul wide-body airliners from the European Airbus consortium and Boeing and McDonnell Douglas of the US.

Powered by four US-built Pratt & Whitney engines and fitted with advanced US fly-by-wire technology and digital flight navigation equipment, the IL-96M will be able to carry up to 311 passengers in three classes non-stop on routes of up to 7,000 nautical miles. When it enters service around 1995 it will be competing against the Airbus A340, the Boeing 777 and 767, and the McDonnell Douglas MD11.

"We have worked with 18 American firms on this project. That's why it is truly a Russian-American plane," says Mr Genrikh Novozhilov, Ilyushin's general designer.

The long-haul aircraft is to be produced in Voronezh, in southern Russia. The partners in the venture are expected to try to sell it to hard-currency paying customers for about \$75m, 25-30 per cent less than similar aircraft from the west.

Mr Novozhilov says the US and Russian partners have received requests for options on 30 aircraft from potential customers, including Russian International Airlines, Aeroflot's international division.

The IL-96M is not the only recent product of Russian aerospace collaboration with the west. Tupolev has equipped its TU-204 mid-range 200-seater twin jet airliner with Rolls-Royce engines to compete against the Boeing 767, and has targeted China, India and the Middle East as well as the former Soviet Union as potential markets.

Another Russian manufacturer, Yakovlev, is working with US suppliers to modernise its business and commuter aircraft.

Although the world commercial aerospace industry is undergoing a prolonged decline, western manufacturers believe Russia offers strong long-term potential. In its latest study of the industry, Boeing says despite short-term political and economic uncertainties, Russia offers not only a potentially large market but "substantial" aircraft manufacturing capability. Boeing estimates that the former Soviet market will require 2,000 new jets for internal services and 250 aircraft for international routes during the next 18 years.

"The technological potential is tremendous and the capacity is out of this world, but the financial situation is very tight and the structure of the Russian industry is complex and confused," says Mr Jürgen Schrempp, president of Deutsche Aerospace, which has been scouting for co-operation opportunities in Russia.

Mr Schrempp sees Russian manufacturers eventually co-operating on large scale pro-

jects, including the development of a 600-800 seat super jumbo or a next generation supersonic airliner. Both Tupolev and Ilyushin, which have their own designs for a high capacity aircraft, are candidates for such a venture.

Mr Louis Gallois, the head of Aérospatiale de France, signed a wide-ranging protocol with Russian manufacturers in Moscow this month earmarking six potential projects for co-operation. They included the development of the Mil Mi-38 multi-purpose helicopter, the proposed Tupolev TU-334 medium-range airliner, liquid propulsion boosters for the

Leyla Boulton and Paul Betts on the fruits of international links

European Ariane space rocket, co-operation with the Franco-Italian ATR regional aircraft group as well as collaboration in super jumbos and supersonic aircraft.

But financing and the industry's current structure remain big problems. Faced with an abrupt reduction in state subsidies, Aviastar, which builds the Antonov AN124 cargo aircraft and the TU-204 airliner, has begun to manufacture furniture and tractors to generate cash.

Apart from Aviastar's financial difficulties, common to the entire industry, there is also friction between the manufacturer and the Tupolev design bureau. The division between design bureaus and manufacturing facilities, which never mattered under the centralised control of a single aviation ministry now dissolved, has frustrated western partners. Aérospatiale, for example, has experienced such difficulties with the Mi-38 helicopter.

Mr Novozhilov says he plans to create an inter-state corporation, merging his bureau with the factories which make Ilyushin aircraft, including one in Tashkent, the capital of newly independent Uzbekistan. "This will deal with everything, from design to serial production to after-sales service," he says.

There are some misgivings in Russia over the trend toward collaboration. Mr Novozhilov believes that Aérospatiale's proposal to help manufacture and sell Franco-Italian ATR regional turboprops is one example of a western company "striving to break up" Russia's aerospace industry by taking advantage of its difficulties. With the IL-114, he argues Ilyushin already has its own equivalent of the ATR, and warns that the different design bureaus and Russian manufacturers are pursuing a dangerous policy of "each man for himself".

The Russian state has promised to focus support on industries it considers worth saving. There is no doubt that aerospace is one of them, but an industrial policy has yet to emerge.

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NEWS: UK

■ Labour criticises pit policy ■ Protestors urge industrial action ■ Generators sign deals

Government tries to avert revolt on coal

By David Owen
and Michael Smith

MR MICHAEL Heseltine, trade and industry secretary, last night used the promise of "hundreds of millions of pounds" in subsidies to the coal industry in a bid to prevent a Conservative party revolt over last week's government policy document.

There was "a significant new market to go for", he said. "We have made it clear that the best hope for British Coal is to take advantage of the opportunity we have provided."

During a stormy House of Commons debate, however, a series of interventions by possible Tory rebels indicated that Mr Heseltine had not completely calmed fears that the 12 pit closures might not survive for more than a year.

These were exploited by Mr Robin Cook, Labour trade and industry spokesman, who made a spirited plea to Tory MPs to join Labour in voting down the policy document.

Today was the day for Tories who had voiced displeasure at the original pit closure announcement last October to make good the promises they had made five months ago to Britain's mining communities, Mr Cook argued.

He challenged Mr Heseltine to explain where the market for the 13m tonnes the 12 pits would produce this year would come from, arguing that coal imports had only been forecast at 9m tonnes and contracts for 2m tonnes of this had already been signed.

Faced by Conservative demands to say whether he backed strikes threatened by miners, Mr Cook said the

Union of Democratic Mineworkers' ballot on possible action highlighted the extent of the government "betrayal".

Mr Cook went on: "If Tories support us in the lobbies tonight, there will be no need for this strike action."

Among Tory backbenchers who intervened in Mr Heseltine's speech, Mr Nicholas Winterton, the MP for Macclesfield, asked why he was not acting to engineer a level playing field for coal in competition with other fuels.

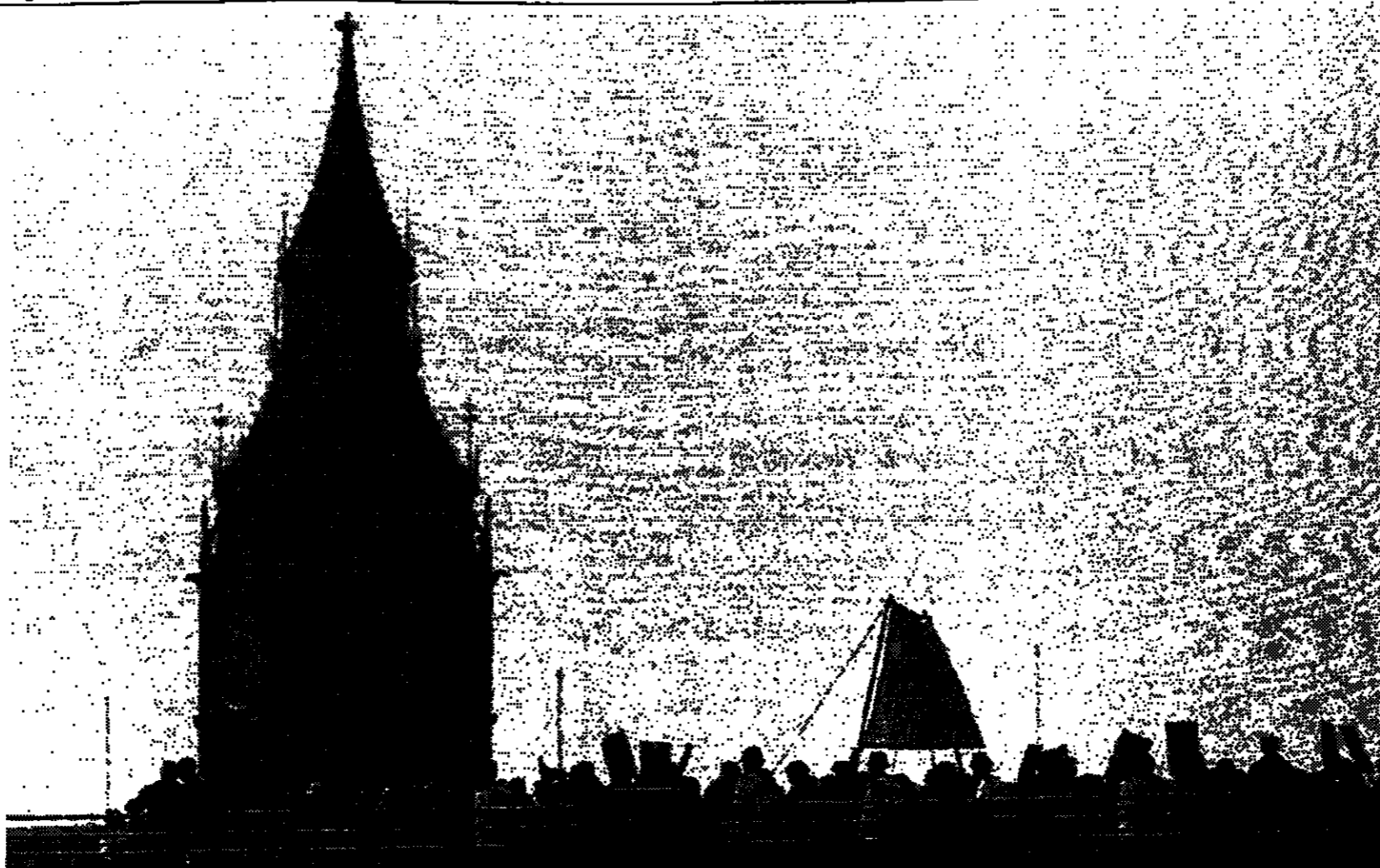
Mr Winston Churchill, leader of the Tory backbench coal group, charged British Coal with "directly sabotaging" Mr Heseltine's statement to MPs last week.

Mr Heseltine emphasised that no pit would be closed without the private sector having an opportunity to bid for it and set out fresh details of the circumstances under which subsidies might be offered to private mine operators.

He said he would be prepared to offer a subsidy to private-sector organisations which could demonstrate they had found a "genuinely" additional market for coal.

British Coal yesterday joined Mr Heseltine in admitting it could not forecast how big the extra market above the core contract would be. "The generators and rest of electricity industry will effectively decide the future for our pits," the company said.

Mr Heseltine riled opposition MPs by dwelling at length on Labour policy on coal in the 1970s. This prompted the retort from Mr Cook that the trade and industry secretary should have spared MPs his "reminiscence of a pantomime villain".



More than 2,000 miners and their supporters, including nuclear power workers, rallied in London yesterday to protest at the government's coal policy document. Mr Simon Hughes, the Liberal Democrat MP, and miners leader Arthur Scargill urged workers throughout the country to take industrial action to halt pit closures.

Power industry agrees five-year coal deal

By Michael Smith

THE COAL and power industries yesterday completed deals under which generating companies will buy 160m tonnes of coal over five years and sell the electricity it produces for about £13bn to regional power companies.

The deals, notified to the Stock Exchange yesterday after nearly a year of intense negotiations, involve the sale of about 430 terawatt hours of electricity from the generators to the regional companies.

They are based on an average price of 3.26 pence per kilowatt hour in the first year starting on Thursday, a 12 per cent reduction on this year, falling to 3.1p pence in the final year.

National Power, the larger of the two generators, said after the first year there would be a 1 per cent cut in real terms in each of the following four years in the cost of electricity to regional companies.

PowerGen said price reductions to the regional companies would amount to 17 per cent

over the five years. Both companies said the full benefits of lower coal prices were being passed through to the regional companies.

This is disputed by the regional companies and many in the coal industry who say the generators are keeping some of the benefits.

The coal price in the first year is £1.51 per gigajoule, compared to £1.86 this year and will fall to £1.33 in the final year. British Coal will earn \$5.5bn through the contracts.

National Power is buying

24m tonnes of coal in the first year and 18m in the four subsequent years. The agreements cover about 70 per cent of National Power's expected output in the first year, declining to 50 per cent in later years.

PowerGen, the other generator, is buying 16m tonnes initially and 12m in subsequent years. The generators are also committed to buying coal from private producers over the next five years, although contracts have still to be finalised.

Yesterday's contracts, which have been expected for several

months, underpin price decreases by regional power companies of up to 3.5 per cent from April 1. Some companies have indicated they will reconsider less significant decreases or freezes following publication of the government's coal policy document and signing of deals concluded yesterday.

The signings mean British Coal and the generators will be free to discuss contracts for additional tonnages which will provide a future for some of the 12 pits replevied by the government last week.

New companies created to boost investment and tourism

By John Willman,
Public Policy Editor

LONDON FORUM, the private-sector body set up to promote London as a world city, is to create two organisations to attract inward investment and expand tourism.

The creation of two companies was announced yesterday by the Forum's chairman Sir Allen Sheppard, chairman of Grand Metropolitan.

One of the new companies - London Inward - will encourage business investment in the capital, with special emphasis

on persuading international businesses to locate their headquarters in the capital. Led by Sir Colin Marshall, chairman of British Airways, it plans to take over First Stop Shop, an information centre operated by the City Corporation, Westminster City Council and London Docklands Development Corporation, to assist investors.

The other new company - London Visitors - aims to increase London's income from tourism by developing existing markets and targeting new markets in Japan, the European Community and the US.

It hopes to merge with the London Tourist Board, whose chairman, Sir Hugh Bidwell, will chair London Visitors.

The announcement was made at a conference of 250 executives, local government leaders and community organisations. Mr Michael Howard, environment secretary, told them London needed to fight harder in world markets to maintain and increase its share of future opportunities.

"We must all make the most of every opportunity to tell the world what London has to offer," he said.

US carrier to test bilateral air agreement

By Paul Betts,
Aerospace Correspondent

EFFORTS by the UK and US governments to liberalise air transport between the two countries will be put to the test by an agreement by United Airlines to buy the London-Philadelphia route from USAir for \$14.5m.

United, one of the three largest US carriers, said yesterday it planned to transfer the route to serve the London Heathrow to Chicago market.

The carrier said it would not go ahead with the route acquisition if it did not secure authority from the UK government to transfer the service to Chicago, its principal hub.

Under the UK-US bilateral aviation agreement, United cannot operate services from Chicago to London. But it hopes for approval for the switch following the US government go ahead for British Airways' \$300m investment in a 49.9 per cent stake in USAir.

As part of the deal, USAir has agreed to dispose of three transatlantic routes to London Gatwick.

Mr Stephen Wolf, United's chairman, said the proposal to switch the Philadelphia route to Chicago presented the UK government with an early opportunity to show its commitment to expanding air services between the two countries.

United, together with American and Delta, had fiercely opposed the BA-USAir deal unless Washington secured greater access for US carriers into the UK market and especially Heathrow airport.

Mr John MacGregor, the transport secretary, is due to hold air liberalisation talks in Washington next month with his US counterpart, Mr Federico Pena.

Services from Heathrow to Chicago, the largest hub in the US, are currently operated by BA and American Airlines.

Mr Wolf argued United, the only US carrier barred from serving London from its main domestic hub, would boost competition on the Chicago route consistent with the approach that the new US administration had taken in approving the BA-USAir transaction.

"Under the current US-UK aviation agreement, additional airline service between Chicago and London has been blocked for 16 years," Mr Wolf said, pointing out that New York had three US flag carriers to London while Boston, Miami and Los Angeles each had two.

UK and Ireland to build £300m high-voltage link

By Clive Cookson,
Science Editor

THE National Grid and Ireland's Electricity Supply Board are planning to build a £300m high-voltage link under the Irish Sea.

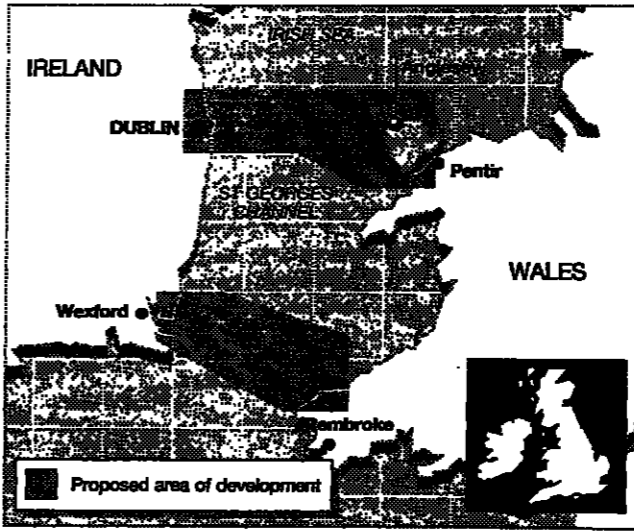
The cable - with a proposed capacity of 600 megawatts - would connect the Irish grid to the rest of Europe for the first time. It could also provide a much-needed export opportunity for the UK's coal-fired power stations in the late 1990s.

National Grid and ESB have just completed a detailed economic appraisal and engineering study of two possible routes. Surveys of the sea bed show that the cable could run from Dublin to Anglesey in north Wales or from Wexford to Pembrokeshire in Wales.

The next stage will be to arrange financing. According to the provisional timetable, the project could be approved within a year, construction would then start in 1995 and electricity would flow in 1998.

The two parties expect the EC to make substantial funds available. Earlier this month the EC agreed to contribute

Where the interconnector might be run



£61m towards the cost of a smaller 250 MW link between Scotland and Northern Ireland. The electricity systems of Northern Ireland and the Irish Republic have been isolated since the 1970s when the cross-border interconnector was taken out of commission after repeated attacks by the IRA. ESB is keen to end its isolation.

because Ireland's electricity consumption is still growing steadily and an international link is a much cheaper and more flexible way of meeting peak demand than building power stations. The proposed connection with Wales would expand Ireland's present generating capacity of 4,000 MW by 15 per cent.

British Rail bids for new trains

By Richard Tomkins,
Transport Correspondent

BRITISH RAIL'S InterCity business yesterday said it hoped to take advantage of the government's new rolling stock leasing arrangements by bidding for a £150m fleet of replacement trains for the London Euston to Manchester line.

If its bid succeeds, InterCity will order about 15 more high-speed InterCity 225 trains built by GEC Alsthom, the Anglo-French engineering company.

The 15 trains would replace those operating between London Euston and Manchester, and the displaced trains would replace out-of-date rolling stock between London and the West Midlands.

InterCity's bid, however, is subject to competition from Network SouthEast, which wants to use the £150m to lease a fleet of 40 modified Networker trains built by ABB Transportation (formerly BREL). These would replace outdated rolling stock on Kent coast routes across south east England.

Mr Roger Freeman, minister

for public transport, is expected to announce a decision on the bids after Easter.

Details of InterCity's bid came as Mr Chris Green, InterCity's managing director, unveiled a spring marketing campaign which is aimed at countering the effects of the recession.

The most unusual element is a joint promotion with Shell offering motorists free InterCity train tickets in exchange for vouchers they will receive with their petrol.

Shell said it expected most tickets handed out to be for journeys that would not otherwise have been undertaken, or at least not by road.

Other features of the InterCity spring campaign include: ● Afternoon tea and weekend restaurant car services will be restored on selected services in response to passenger demand. ● The InterCity shuttle will offer high-frequency turn-up-and-go services from London to the West Midlands, East Midlands and East Anglia. ● Cheapest tickets in real terms since 1948 will be available through the extension of Apex fares to all InterCity journeys of more than 150 miles.

Protests continue at Timex plant

By James Euxton,
Scottish Correspondent

A NOISY demonstration outside the Timex watchmaking plant in Dundee passed without violence or arrests yesterday. A bus carrying left wing demonstrators from Glasgow arrived nearly one and a half hours late after twice being stopped by police.

More than 400 people gathered at the plant to protest at the actions of the US-owned electronics company, which last month sacked its 340-strong manual workforce after a strike and hired 200 new workers.

The demonstrators jeered as buses carrying the new workforce went through the plant gates but did not attempt to block their path.

Last Monday 16 people were arrested at the scene in the worst picket line violence in Britain for several years.

Trade union leaders subsequently appealed for demonstrators to stay within the law. The appeal was aimed at left wing groups such as Scottish Militant Labour which took part in last Monday's demonstration.

Britain in brief



Leyland Daf managers win bank backing

Managers seeking to buy out Leyland Daf's six truck assembly and distribution operations in Africa have won backing from the City-based Standard Bank London.

Neither the bank nor the buy-out team would provide details of the form the support might take. The buy-out attempt is being led by Mr Arthur Zammit, managing director of Daf International, based at Kindhoven in the Netherlands.

Daf International was responsible for the former UK-Dutch truck manufacturers' overseas sales but the six African companies form part of the Leyland Daf receivership in the UK.

Carrier order may save yard

The government has thrown a lifeline to Swan Hunter, the north east shipyard, by reviving plans for a specialised naval helicopter carrier, expected to cost about £170m.

The carrier emerged as a prime candidate for cancellation earlier this year in order to help the Ministry of Defence meet the budget cuts imposed in last November's public expenditure settlement.

After intensive lobbying by naval chiefs and by Swan Hunter, Mr Jonathan Aitken, defence procurement minister, said yesterday in a written parliamentary answer that the MoD was keeping the carrier in its programme and expected to place an order later this year.

Rover in talks on new MG

Rover, the motor vehicle subsidiary of British Aerospace, is in advanced negotiations with Mayflower, the specialist UK engineering company, to form a co-operative venture for the production of a new range of MG sports cars.

The new model code-named PR3, would be a small, mid-engined roadster that could be ready for launch by 1995/96. The new model is designed to resurrect the MG marque and return it to mainstream sports car-making, a market segment dominated in recent years by Japanese carmakers with products such as the Mazda MX-5, following the earlier demise of UK makes such as MG and Triumph.

Royal Opera faces setback

The ambitious £150m development plan for the Royal Opera House site in Covent Garden could face a setback tonight when a Westminster City Council committee is expected to seek assurances that sufficient money will be available to complete the whole project. The city council, which gave planning permission for the four-phase scheme in 1990, still accepts the merits of the redevelopment in principle, but is against piecemeal expansion. It is not convinced the ROH has sufficient funds to complete as promised.

Redundancies at VW importer

VAG (United Kingdom), the importer/distributor of Volkswagen and Audi vehicles, has introduced a voluntary redundancy and early retirement programme in order to make further reductions in the company's workforce of 780. The company has already cut its workforce by 38 per cent in the last three years from 1,260 in 1989.

Sales of lift trucks rise 25%

Sales of lift trucks and other warehouse equipment have risen by 25 per cent year-on-year in the past four months, raising hopes that the three-year recession in the UK materials handling industry is over.

Agency faces sell-off

The government is likely to move further towards the privatisation of Companies House, the government's corporate information agency, in an announcement expected soon.

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MARCH 30 1993

in in brief

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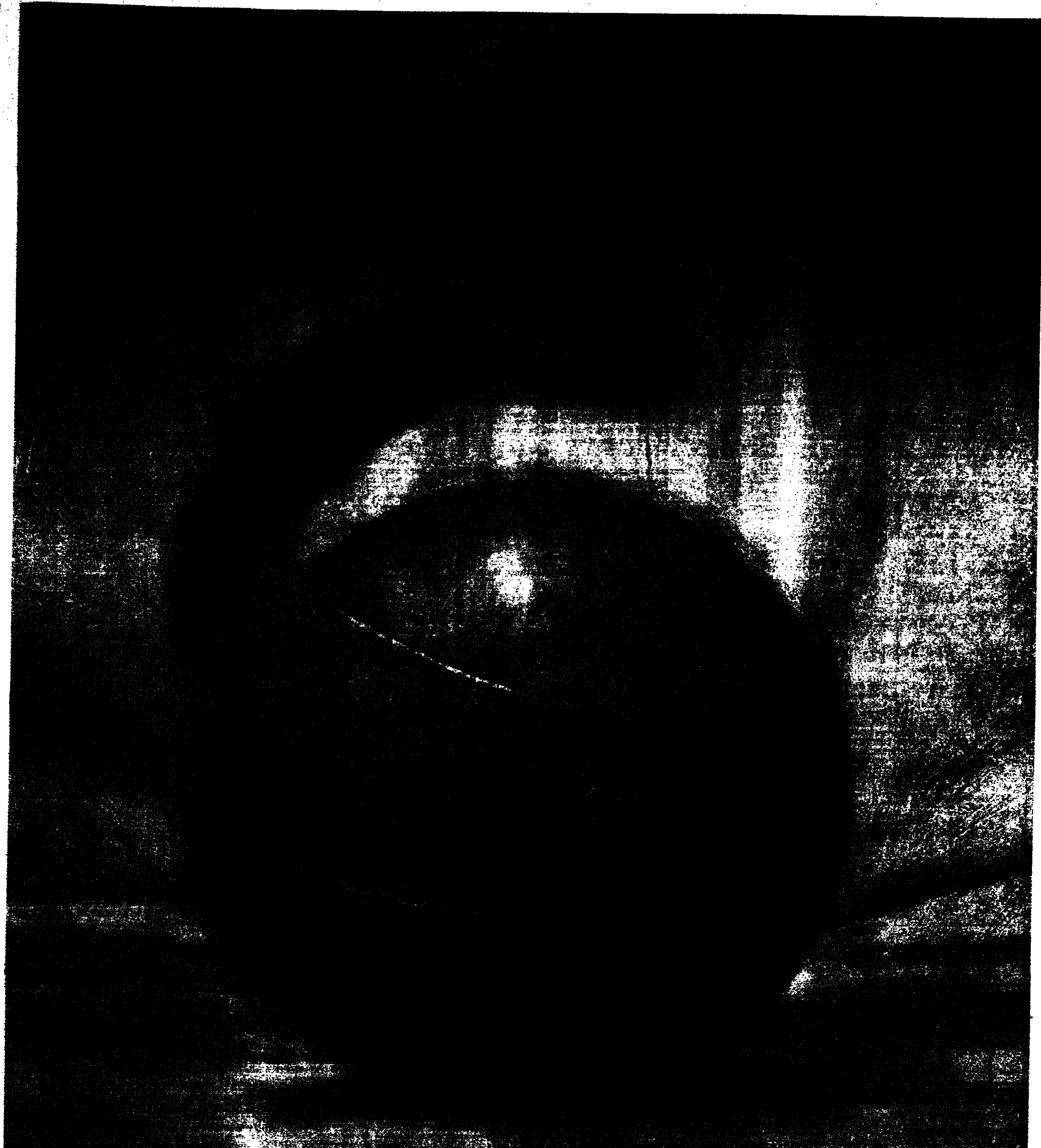
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MANAGEMENT: THE GROWING BUSINESS

In a Nutshell

Inventive ways with financing

A tough fund-raising climate is forcing venture capital companies to become ever more inventive in obtaining finance. Baronsmead, a medium-sized, independent venture firm, has devised a funding programme which draws on investors' money on a deal-by-deal basis and allows investors to withdraw at any time.

The Direct Equity Programme will also allow investors to choose, within reason, the companies their money is invested in. Baronsmead will take a 20 per cent stake in any capital gain and also 20 per cent of income received from investments. It expects this share in income to amount to about 2 per cent of invested funds, against the 2-2.5 per cent management fee normally calculated on funds under management.

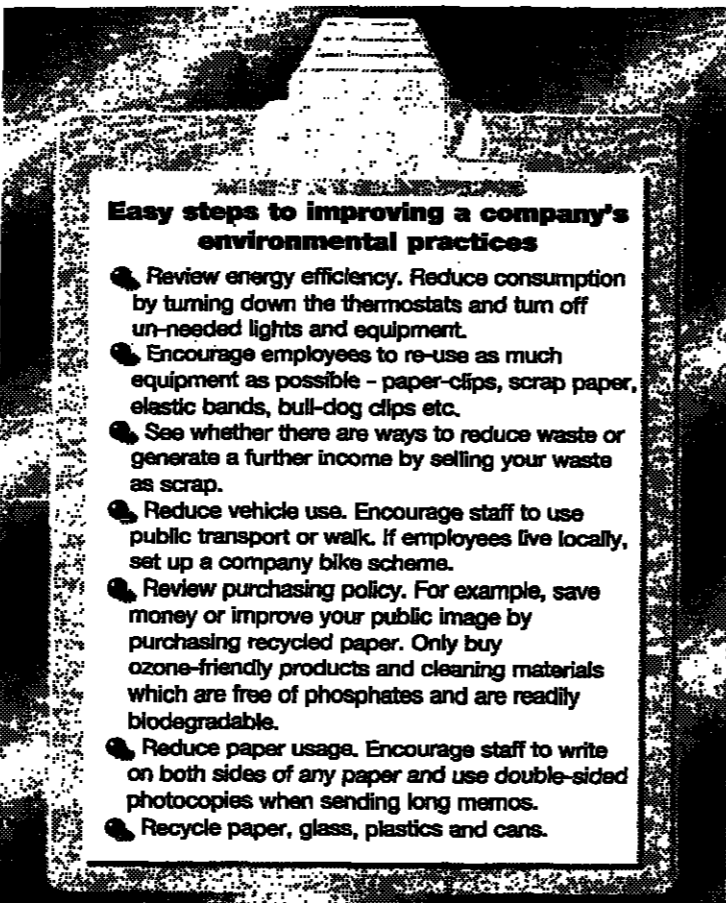
Two investors, the Merseyside Superannuation Fund and GRE Asset Management, have put up more than £5m, though investments of between £500,000 and £1m will be more typical. Baronsmead, which has £60m under management, initially started a conventional fund-raising drive, but switched to what it believes is a more flexible programme. Investors may withdraw before or even after their funds have been invested, though this may require Baronsmead to dispose of investments at short notice.

Extending support for young people

The Prince's Youth Business Trust, which provides loans, grants and business advice to unemployed or disadvantaged people aged 18 to 25, is to extend its support to 28-year-olds from July 1. Many of the unemployed are in this older age group, the trust said. PYBT, 5 Cleveland Place, London SW1Y 6JZ. Tel. 071 321 6500.

Hester Thomas looks at three companies which have become environmentally aware

Getting the green light



Easy steps to improving a company's environmental practices

- Review energy efficiency. Reduce consumption by turning down the thermostats and turn off un-needed lights and equipment.
- Encourage employees to re-use as much equipment as possible - paper-clips, scrap paper, elastic bands, bull-dog clips etc.
- See whether there are ways to reduce waste or generate a further income by selling your waste as scrap.
- Reduce vehicle use. Encourage staff to use public transport or walk. If employees live locally, set up a company bike scheme.
- Review purchasing policy. For example, save money or improve your public image by purchasing recycled paper. Only buy ozone-friendly products and cleaning materials which are free of phosphates and are readily biodegradable.
- Reduce paper usage. Encourage staff to write on both sides of any paper and use double-sided photocopies when sending long memos.
- Recycle paper, glass, plastics and cans.

Groundwork also advised the company to take pellets and bags it receives from suppliers and re-use them when sending products to its customers. This it has done with impressive results. In the past, most transport packaging costs were passed on to customers. By re-using packaging the costs have been significantly reduced. Customers have been informed about this reduction in charges.

At Conservation Papers, staff had been running the company along environmental lines to the best of their abilities. However, in 1992

they adopted a more formal approach and joined an Environmental Business Challenge, launched by Reading Borough Council, to help companies develop and implement an environmental policy. "It gave us a structure to work with," says Bird, "and most of the changes we've made have been as a result of it." In an attempt to reduce its energy consumption by up to 15 per cent, Conservation Papers has taken some simple steps, turning down thermostats and switching off heating at weekends.

"At Dragon International, MacKenzie and her colleagues assessed the environmental impact of all they did from the first day. Setting the company up, they purchased second-hand 'recycled' furniture which does not contain tropical hardwoods, bought a photocopier for double-sided copies and decided against supplying company cars. Staff are encouraged to use bicycles or public transport.

The company buys recycled non-chlorine bleached paper, re-uses scrap paper, re-cycles its paper and laser printer toner cartridges, fits long-life light bulbs, uses environmentally sensitive cleaning equipment and supplies china rather than disposable cups.

Being environmentally sensitive brings costs with it. Berger Aus Berg has spent £500 on an electrician's bill and £150 on Groundwork's fees. Conservation Papers spent £70 on automating door closures. Dragon International's main expenditure will be on better insulation and a more efficient boiler for its offices costing several hundred pounds.

Although all the companies have spent several hours discussing environmental practices with staff, none has found the process disruptive. "Everyone starts thinking along the same lines," explains MacKenzie. Swart has seen his employees change their attitudes. "At first they were curious about the review," he says. "Now they tell me what we can do to make further environmental improvements."

There are other benefits too. All the companies have reduced their overheads by implementing energy saving measures and all expect to recoup the investment within two years in lower energy bills. Perhaps what is surprising is how many benefits have been gained through relatively few changes. To a large extent these companies have simply made sure their housekeeping is in good order - albeit under an environmental umbrella.

Although none has gone out of its way to promote the changes, all the companies expect that one day they will have to justify their environmental practices. To that end they are continuing their environmental programmes.

Problems of the generation gap

Tim Dickson visits a Swiss school specialising in family business issues

What is the right time for a family business to hand on to the next generation?

How do you deal with family members who are not active in the firm? How do you go about selling up when you want to retire?

Aiden Lank is preoccupied with such issues not because he is actually facing any of the challenges himself. As Professor of Family Enterprises at the International Institute for Management Development in Lausanne, Switzerland, though, he runs twice-yearly courses aimed at resolving them for others.

There are plenty of European academic chairs in small and medium-sized enterprises or entrepreneurship these days - but IMD claims to be one of just two business schools on this side of the Atlantic to specialise in the problems of family firms. The other is at Babson.

Lank accepts that there is an overlap with SMEs and entrepreneurship - but the family business field, he stresses, has its own literature and is by no means exclusively concerned with the small business.

Family controlled enterprises account for one third of all companies in the Fortune 500, anything between 75 per cent and 90 per cent of all companies in the EC, and 65 per cent of GDP and employment in Europe. "The very small business - the Mom and Pop shop - is certainly not our cup of tea," emphasises Lank. "The macro-economic rationale for his 34-day course is that a mere 17 per cent of start-ups survive into the third generation. It all started because of the conviction of a second-generation Canadian businessman that management training was sadly lacking on the European family business scene. His message initially fell on deaf ears at IMD-Geneva, one of two Swiss schools that merged to form IMD in 1989. In the end the chair was endowed by Stefan Schmidheiny, owner and chief executive of the Swiss family group which developed and marketed the "Swatch" watch.

An important feature of the

IMD course is that family members from two generations of the same firm often attend, and indeed are encouraged to do so. "We've had five members of the same family," says Lank. "We love it when the spouse and the children attend. They often use the classroom to pass messages which they couldn't articulate back home. In one case we had a mother and son effectively blaming each other's generation for what was going wrong. It was very dramatic. No one was interrupting."

Adds Joachim Schwass, executive-in-residence at IMD: "The family influence can and should be positive. There needs to be a common vision. Disagreements can sink companies," Schwass should know, since this is what happened in one part of his family business.

Rather than the general management courses, IMD concentrates on problems of succession, conflict management, the impact of the family on corporate culture, strategy, remuneration, and governance. Not surprisingly governance provokes some of the hottest debate, especially when the subject of non-family directors is raised. "Individuals have the chance to meet in small groups to discuss problems of common concern with others of similar background, as well as with the faculty," says Lank.

To date the courses have ranged from as few as nine participants ("too few") to 30 ("the upper limit"). "Students have come from as far afield as Chile, Australia, Singapore, the Philippines and Egypt, although the Scandinavian countries, Switzerland and the UK tend to be the best markets."

The course is restricted to owner-managers, family owners, and family managers, though "outside" chief executive officers are eligible if accompanied.

The next one will run from June 27-30 and costs Sfr8,500 (£5,666) for the first participant, and Sfr5,000 for each additional family member. Write to IMD, Registration and Information Office, Chemin de Bellevue 23, 1007 Lausanne, Switzerland.

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GOVERNMENT OF GHANA

Divestment of State interest in enterprises

In pursuance of its divestiture programme, the Government of Ghana (GOG) is inviting private participation (corporate or individuals) in the ownership and management of the underlisted enterprises. Dates for submission of (investor) proposals are indicated against each enterprise.

Name of Enterprise	Nature of Business	Closing Date for Submission of Proposal	Special Requirements
GROUP A			
1. GHOC Pharmaceutical Company Limited	Manufacturer of Pharmaceutical Products	April 30, 1993	Joint Venture/Public Share Offering intended.
2. GHOC Fibre Products	Jute Bags Manufacturing	April 30, 1993	
3. Automotive Technical Service	Vehicle Assembly	April 30, 1993	
4. GHOC Meat Processing Company Limited	Meat Products	April 30, 1993	
5. Africa Timber and Plywood	Timber Industry	April 30, 1993	Joint Venture Preferred.
6. GHOC Boatyards-Tema	Boat Building	April 30, 1993	
7. City Hotel (Kumasi)	Hotel	April 30, 1993	
8. GHOC Vegetable Oil Mills - Tamale	Processing Vegetable Oil	April 30, 1993	
9. GHOC Marble Company Limited	Tiles	April 30, 1993	
10. GHOC Paints Co. Ltd	Paints manufacturing	April 30, 1993	
GROUP B			
11. Elwira Wood Products	Timber Products	June 15, 1993	
12. GHOC Refrigeration Company Ltd.	Production of Fridges	June 15, 1993	
13. Bonas Tyres Co. Ltd	Tyre, Inner Tube Manufacturing	June 15, 1993	
14. Amerhia Farms	Dairy Products	June 15, 1993	
15. Pomadze Poultry	Poultry Farming and Feed Mills	June 15, 1993	
16. Prefab Concrete	Concrete Products	June 15, 1993	
17. Ghana Oil Palm Devt.	Oil Processing	June 15, 1993	
18. Elmina Motel	Hotel	June 15, 1993	
19. All Regional Devt. Corporations	General Business	June 15, 1993	Projects/units would be separately divested. District Assemblies and local investors would be encouraged to participate.
GROUP C			
20. Gilsten W/A Ltd.	Timber Products	August 16, 1993	
21. Ejura Farms	Poultry and General Farming	August 16, 1993	Joint Venture Preferred
22. Nanyongo Catering Rest House	Hotel	August 16, 1993	
23. Bolgatanga Catering Rest House	Hotel	August 16, 1993	
24. GHOC Footwear	Footwear Manufacturing	August 16, 1993	
25. Meridian Hotel - Tema	Hotel	August 16, 1993	
26. Bansa Poultry Farm	Poultry	August 16, 1993	
GROUP D			
27. Suwayani Catering Rest House	Hotel	October 15, 1993	
28. Ho Catering Rest House	Hotel	October 15, 1993	
29. Kantinkrono Poultry Farm - Kumasi	Poultry Farming	October 15, 1993	
30. NIC Group of Companies	General Business	October 15, 1993	Units comprising of vehicle assembly plant, electrical lamps, chemicals, estates, etc. would be separately divested.
31. GHASEL Komenda	Sugar Manufacturing	October 15, 1993	
32. Ghana Manufacturing Co.	Bags, Suitcases Manufacturing	October 15, 1993	

BUSINESS OPPORTUNITIES

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This advertisement has been approved by Cezanne Bachman, Chartered Accountant, who is authorised to carry on investment business by the Institute of Chartered Accountants in England and Wales.

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If you have an interesting proposition, please contact in strict confidence: Rick Sopher, Corporate Finance Partner, At Stoy Hayward, 8 Baker St., London W1M 1DA. Tel: No. 071 486 5885. Fax 2160.
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For further information contact J. R. Y. Dickson or Mrs B. Kirby at the address below.

6 Rutland Square, Edinburgh EH1 2AU.

Tel: 031 229 2268. Fax: 031 229 0842.

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Simson Pimm Ltd

The Joint Administrative Receivers offer for sale the business and assets of Simson Pimm Ltd, in whole or in part, as a going concern.

The business, established in the 1930's, is located in Hertford and is a leading independent manufacturer of envelopes for the greeting card industry.

Salient features include:

- Annual turnover of some £8 million, including European exports.
- 3 acre freehold site incorporating factory, offices and storage facilities.
- Substantial specialised plant and machinery.
- Stock and work in progress.
- National reputation in the industry and sound performance record.
- Extensive order and prospect list, with established customer base.

For further information please contact the Joint Administrative Receiver, Tony Thompson, KPMG Peat Marwick, Aquila Court, 31 Fishpool Street, St Albans, Hertfordshire, AL3 4RF. Tel: 0727 843000. Fax: 0727 864423.

KPMG Peat Marwick

James Graham & Co (Timber) Limited

The Joint Administrative Receivers offer for sale as a going concern the business and assets of the above company which went into receivership in November 1992.

Following a period of restructuring the company is now trading profitably and has maintained a strong forward order position.

This timber firm is engaged in sawmilling, truss fabrication, joinery and operates 6 trade depots at Hartlepool, Middlesbrough, Darlington, South Shields, Bishop Auckland and Newcastle upon Tyne.

Salient features include:

- Freehold premises including a 12 acre site with nearly completed new factory
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All enquiries to Roger M Griffiths, Joint Administrative Receiver, Ernst & Young, Central Exchange Buildings, 93A Grey Street, Newcastle upon Tyne NE1 6EJ. Telephone: (091) 221 1222. Facsimile: (091) 261 2916.

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KPMG Peat Marwick

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IN THE MATTER OF

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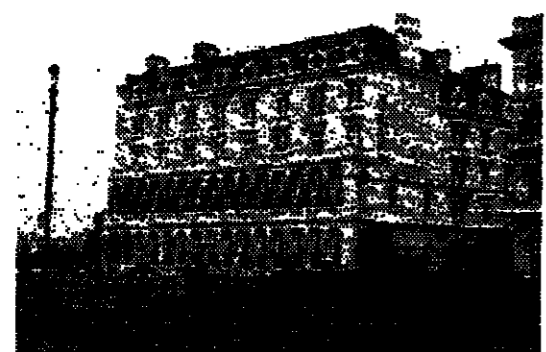
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GREEK EXPORTS S.A.

ANNOUNCEMENT

OF A REPEAT PUBLIC AUCTION FOR THE HIGHEST BIDDER

GREEK EXPORTS S.A., registered in Athens (17 Panagiotis St.) and legally represented, in its capacity as liquidator, in accordance with article 46a of Law 1829/1990, as supplemented by article 14 of Law 2009/1991 and following the decision of the Thessaloniki Court of Appeal No. 3210/1992 and following the written statement under no. (receiving) 273/15-3-1993 of its creditors, in para. 1 of the above article (R.T.B.A. SA).

a repeat public auction for the highest bidder, with sealed, binding offers for the purchase in lots of the assets of the company under special liquidation named AGROINDUSTRIAL S.A. (G.E.V.I.S.A.) established in Metsovo, Floris and Kozani referred to as 'the Company'.

ACTIVITIES AND BRIEF DESCRIPTION OF THE COMPANY

The Company is engaged in the processing, canning and deep freezing of fruit and vegetables as well as in the sale of these products.

It owns the following immovables:

1. An industrial complex situated on the 50th kilometre of the Thessaloniki-Katerini national road and the fronting the old Thessaloniki-Katerini national road. The factory buildings cover a total area of 27,030sqm and include industrial plant for processing, refrigerating and deep freezing, standing on a self-owned plot of land 98,444sqm in area situated in the estate region of the Community of Metsovo, Floris.

2. An industrial unit for fruit sorting at Argalio, Naflion on a 4,500sqm plot of land with a building area of 2,112sqm where a fruit sorting line with a capacity of 8 tons per hour is installed and functions normally.

3. Two (2) floors (a and b) of 178.47sqm each containing offices and a basement of 131.68sqm in the corner building of the Municipality of Thessaloniki at 23 Aesopou and Frontalou Streets.

TERMS OF THE AUCTION

1. Parties interested in participating in the auction are invited to receive from the liquidator the offering Memorandum and the draft letter of guarantee in order to submit a sealed, binding offer to the Kallithea notary public appointed to the auction, Mrs. Stavroula Baglatis-Kandila at 34 Pafsiypou Street, Kallithea, Tel. (0683) 31554, by Monday, 26th April 1993 up to 19:00 hours.

Offers must be submitted in person or by a legally authorised representative.

2. The bids will be opened before the above notary on Tuesday, 27th April 1993 at 10:00 hours. The unsealing will be attended by the liquidator and all those who have submitted offers before the time limit are entitled to attend.

Offers submitted beyond the prescribed time limit will not be accepted or taken into account.

3. The sealed, binding offers must specify the price offered for the purchase, in lots, of the assets of the Company and be accompanied by a letter of guarantee from a bank legally operating in Greece to the amount of a hundred million drachmas (100,000,000) or its equivalent in the US dollar.

4. The Company's assets and all fixed and circulating constituent parts thereof, such as immovable and movable property, claims, trademarks, titles, rights, etc. will be sold and transferred "as is, where is" and, more specifically, in their actual and legal condition and location on the date of signature of the sale contract, regardless of whether the Company is in operation or not.

5. The liquidator, the Company and the creditors representing 51% of the total claims against the Company (Law 1829/90, article 46a, para. 1, as in force) known heretofore as the "Majority Creditors", shall bear no liability for any legal or actual defects or for any deficiency in the effects and rights for sale, nor for any incomplete or inaccurate description of them in the offering Memorandum and in any correspondence.

6. Prospective buyers, heretofore referred to as "buyers", shall be obliged, on their own responsibility and due care, and by their own means and at their own expense, to inspect the object of the sale and form their own judgment and declare in their bids that they are fully aware of the actual and legal condition of the assets for sale. The buyers are hereby reminded that, in accordance with the provisions of Law 1829/90, article 46a, para. 4, as in force, having agreed in writing to maintain confidentiality, they are entitled to have access to any information they may require concerning the Company for sale.

7. Bids should not contain terms which might prejudice their bindingness or any vagueness concerning the offered price and its method of payment, or any other matter of importance to the sale. The liquidator and the majority Creditors have the right, at their incontestable discretion, to reject offers which contain terms and conditions, irrespective of whether these offers contain a higher price than that of other bidders. Such unacceptable terms would be, for example, requests for the repair, improvement or transfer of fixed assets, or requests for guarantees in the collection of claims or the outcome of court actions brought by the Company in this respect, or compliance with recommendations regarding the security of the installations, or for safeguarding the insurance cover, etc.

8. In the event that the person to whom the auction is adjudicated fails in his obligation to appear, as requested, within thirty (30) days from being invited to do so, and sign the relative contract, or fails to abide by any other obligations accruing from the present announcement, then the above-mentioned guarantee of one hundred million drachmas (100,000,000) is forfeited to the liquidator in compensation for expenses of all kinds, time spent and any actual or hypothetical losses sustained, with no obligation on the liquidator's part to give any accounting or specific proof or deem that the amount has been forfeited to him as a penalty clause, and collect it from the guarantor bank.

9. The highest bidder is deemed the one whose offer has been so judged by the liquidator and approved by the Majority Creditors as being in their best interest.

10. The liquidator shall not be liable to participants in the auction either with respect to the evaluation report or for his selection of the highest bidder and neither will he be liable to them for the cancellation of the auction in the event that its outcome is not approved by the Majority Creditors.

11. Participants in the auction do not acquire any right, claim or demand from the present announcement or from their participation in the auction, against the liquidator, for any cause or reason.

12. Transfer expenses of the assets for sale (stamp duty, notarial and mortgage's fees, rights and other expenses for drawing up topographical diagrams as required by Law 661/1977, etc.) are to be borne by the Buyer.

Those taking part in the auction will be committed to keeping the enterprise functioning in its present form.

For further information, interested parties should apply to:

a) The Exec. Office of ETRA S.A.
Directorate of Public Holdings
81 Syngrou Ave., Athens (2nd Floor)
Tel. +30-1-628.4395 and +30-1-628.4396

b) GREEK EXPORTS S.A.
17 Panagiotis St. Athens (1st Floor)
Tel. +30-1-324.3111 - 324.3115

c) GREEK EXPORTS S.A.
Thessaloniki Branch
7 Nika Ave., Thessaloniki (Ground Floor)
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CONTRACT FOR THE PROVISION OF TAXATION SERVICES FOR
THE PUBLIC TRUST OFFICE

LORD CHANCELLOR'S DEPARTMENT

The Lord Chancellor's Department is conducting a tender for the provision of a taxation service to the Public Trust Office. Tenders will be sought from suitably qualified and experienced organisations, including the existing in-house unit. It is intended that the contract will run for a period of three years.

The Lord Chancellor's Department is a central government department responsible for the administration of justice in England and Wales. As an Associated Office of the Lord Chancellor's Department, the Public Trust Office administers approximately 2500 trusts. The Public Trust Office also acts as Receiver to administer the property and affairs of approximately 26000 trust beneficiaries.

The tenderer is responsible for completing Inland Revenue tax returns and calculating assessments where applicable. The successful tenderer will also be required to provide taxation advice.

Initial expressions of interest are therefore being sought. Firms who express an interest will be asked to complete a questionnaire and provide references on their financial position and relevant experience. A shortlist of firms will then be invited to tender.

Firms wishing to express an interest or who require further information should contact:
Miss Sara Bilton, Lord Chancellor's Department, Travoyan House, 36 Great Peter Street, London SW1P 2BY.
Tel: 071 219 8659

The closing date for expressions of interest is 9 April 1993.

The completed questionnaires will need to be returned by 23 April 1993.

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IN PETITION ARGYLE TRUST PLC FOR
CONFIRMATION OF REDUCTION OF
SHARE CAPITAL AND CANCELLATION OF
SHARE PREMIUM ACCOUNT AND
CAPITAL REDEMPTION RESERVE

A Petition having been presented to the Court of Session on 24th March 1993 by Argyle Trust PLC, a company incorporated under the Companies Act 1985 and having its registered office at Owen House, 8 Bankhead Quay North, Edinburgh for Confirmation of Reduction of Share Capital and Cancellation of Share Premium Account and Capital Redemption Reserve, the court pronounced the under noted Interdict on 24th March 1993.

The Petitioner having been named for the Petitioners on their Motion dated 19th March 1993 appoints the Petitioner to be limited on the 24th of March 1993 in the Court of Session in the Edinburgh Cause, The Petitioner and Financial Times Newspapers, allow any party claiming an interest to lodge a caveat thereto, if so advised, within 21 days after such intimation and advertisement; appoints the Petitioner to lodge in Process on or before 2nd April 1993 the list or lists of Creditors of the Petitioner pursuant to Section 136 of the Companies Act 1985; appoints the Creditors of the Petitioner to be called on to lodge a caveat thereto, if so advised, within 21 days after such intimation and advertisement; appoints the Petitioner to lodge in Process on or before 2nd April 1993 the list or lists of Creditors of the Petitioner pursuant to Section 136 of the Companies Act 1985; appoints the Creditors of the Petitioner to be called on to lodge a caveat thereto, if so advised, within 21 days after such intimation and advertisement; 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BUSINESS AND THE LAW

A measured view on monopolies

As he prepares to step down as MMC chairman, Sir Sydney Lipworth talks to Robert Rice about the commission's role as corporate policeman

Sir Sydney Lipworth is aware of the public debate raging about the structure of the UK competition authorities and their recent performance. But the phlegmatic, South African-born chairman of the UK's Monopolies and Mergers Commission is not about to let the controversy cloud his last days in office.

Sir Sydney who steps down after Easter after more than five years as MMC chairman is happy to let his record speak for itself.

Since 1988 the commission has published 112 reports, one-third of the total published since the MMC was set up in 1949. That represents an average of 22 reports a year compared with an average of five a year in the previous 40 years.

In addition to its core responsibility of vetting monopolies and mergers, the commission has taken on an extra role as arbitrator for the newly privatised utilities, and under the Broadcasting Act, for independent broadcasters. Yet the average time taken to complete inquiries has come down considerably since Sir Sydney took charge. Monopoly inquiries which used to take anything up to four years are now dealt with in nine or 12 months as a matter of routine. Merger inquiries which used to take six months are now completed in three. And, Sir Sydney believes, the quality of the commission's work has more than been maintained. "The MMC is a first-rate institution doing a first-rate job," he says.

Much as you would expect from this no-nonsense lawyer turned businessman, Sir Sydney puts up a robust defence to some of the more strident criticisms levelled at the MMC in recent months. But his mind is not closed to change. He is not unsympathetic, for example, to recent complaints from industry that the structure of the UK's competition authorities results in too much duplication of effort between the Office of Fair Trading and the MMC.

"Theoretically there must be something in it because theoretically there is an element of duplication." But he would need to be convinced of the actual saving to industry before he would be prepared to change a system which has stood the test of 45 years.

"I'm not sure a single body would produce a better analysis of a case in the end, but it might be cheaper. The real question is: will the final result be more or less comprehensive? I think we should look at it."

Sir Sydney is less tolerant of the suggestion that the commission has "gone soft" recently in its monopoly-policing role. Critics say the MMC has paid too much attention to the views of the companies under investigation. In 1981, inquiries into photocopyers, instant coffee

and soft drinks left monopolies largely intact. Compare that with the reports that helped to liberalise industrial gas supply and weaken the link between brewers and pubs in the late 1980s.

The break-up of brewing is now regarded by industry observers as having been backfired. Those who accuse the commission of going soft believe the government's rejection of some of the more radical elements of the beer report caused the commission to take a more cautious approach.

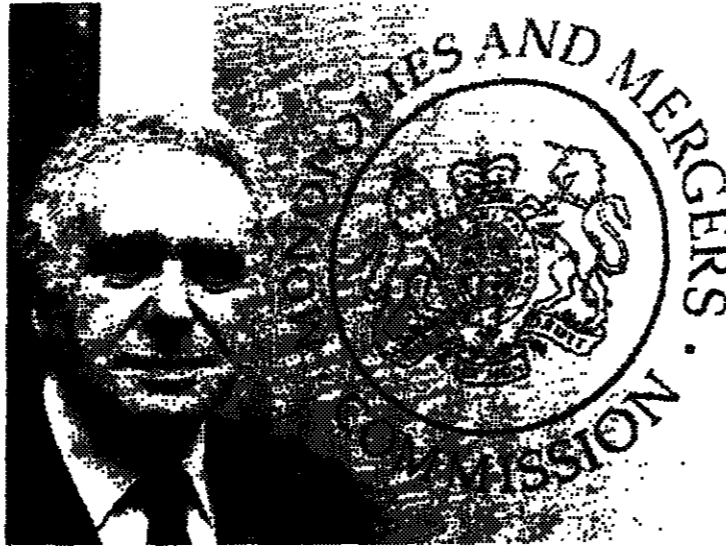
Criticism of monopoly investigations reached a peak with last year's report on new cars. The Consumers' Association accused the MMC of ignoring an independent report which showed considerable price differentials between cars bought in the UK and on the Continent. Instead, the association said, the MMC relied too heavily on information given by the manufacturers, which claimed these differentials were not nearly as large in practice as the independent research suggested.

Mr Stephen Locke, CA's director of policy, said the MMC analysis could "only be described as deeply flawed", and seemed "ultimately to have been swayed by the arguments of the manufacturers".

"These criticisms are rejected by Sir Sydney. The responses to the

He is not unsympathetic to complaints of too much duplication of effort with the OFT

new-cars report were "superficial, knee-jerk reactions" which "overlooked what the report actually said". He accuses consumer organisations of giving vent to their frustration that the commission did not find the extensive differences between UK new car prices and those elsewhere in the EC. "Popular expectation is not necessarily a good guide as to what is the right answer. You don't need to totally restructure an industry to come



No apologies: Sir Sydney says the MMC is 'doing a first-rate job'

up with a sound solution," he says.

Another reason which has been suggested for the increased caution exhibited by the commission is the growing number of legal challenges to MMC reports. The commission has been judicially reviewed nine times in recent years.

Again Sir Sydney disagrees. In his view the increase in legal challenges is in line with an overall increase in challenges to quasi-judicial decisions of all types. To a certain extent he welcomes the legal challenges. "I'd hate it if a court found that we had acted unfairly, but otherwise I think it helps to keep us on our toes."

"The commission has won all nine of its judicial reviews, a record of which Sir Sydney is proud. But in general the nine cases have drawn attention to ambiguities in the wording of the 1973 Fair Trading Act which he says is "beginning to look a bit dated".

He is in favour of wholesale reform of UK competition legisla-

tion based on whether it is in the "public interest".

Some competition lawyers argue that the criteria to be taken into account when judging the public interest, as laid out in section 84 of the FTA, are too vague. They argue the MMC needs a stronger direction to focus more directly and rigorously on competition issues, leaving to the trade and industry secretary

Sir Sydney is less tolerant of the suggestion that the commission has 'gone soft' recently

wider public interest considerations, such as the balanced distribution of industry and employment.

Sir Sydney is not opposed to reform of the public-interest test but remains to be convinced. For all practical purposes, certainly when vetting mergers, the 1984 so-called "Tebbit doctrine", which made competition the primary criterion of merger reference policy, has kept competition at the heart of the public-interest test, he says.

Ultimately, he adds, a decision on the public-interest test is a political one. Whatever is decided, the commission can adapt to it, he says. If the aim was to produce a degree of extra certainty for industry in the way mergers will be judged, then narrowing the test would be the answer. But the present criteria for judging the public interest does offer a degree of flexibility, allowing ministers exceptionally to refer cases to the MMC on wider issues.

In general, however, he believes there is room for strengthening the wording of the Fair Trading Act and improving some of its procedural tests, such as the test for complex monopolies, which he says are "a bit artificial".

Where does he stand on the government's proposed reforms of the law on restrictive trade practices and abuse of market power?

The restrictive trade practices white paper proposed the introduction of a prohibition on anti-competitive agreements backed up by a system of fines, with the MMC or a tribunal of specially appointed MMC members responsible for imposing penalties. The abuse of market power green paper envisages a similar role for the commission in dealing with anti-competitive behaviour by dominant companies.

Some competition lawyers and consumer bodies believe that if the MMC is to continue to be seen as a dispassionate investigatory body then it should not become involved in the imposition of penalties which will inevitably be seen as harsh.

Sir Sydney welcomes the proposed reforms of restrictive trade practices legislation and sees nothing wrong in principle in asking the commission to play a role in imposing penalties. He insists the MMC already acts as a quasi-judicial tribunal and has the flexibility to do the job. Many of the remedies, such as divestment, which it now has the power to recommend, are just as harsh for the businesses concerned as any fine is likely to be. If there is real concern about the imposition of large fines, perhaps the courts could be asked to play a supervisory role, he suggests.

He is less convinced of the need for significant change in the law on anti-competitive behaviour by individual companies, however. "Looking back, I'm not aware of many cases which would have been called for a prohibition and fines, as opposed to our current system."

As he clears his desk for the last time he will reflect with some pride on the business-like approach he has injected into the commission's work since 1988. "I found the commission in good shape and I hope I am leaving it in good shape," he says. In reality, he will be a tough act to follow.

Court finds French synthetic fibre aid broke notice rules



EUROPEAN COURT

The European Court of Justice last week overturned the European Commission's refusal to examine regional aid granted by France to Allied Signal, a synthetic fibre producer, for the building of a polyester fibre plant in the French region of Longwy.

Judicial review proceedings were brought against the Commission by the Paris-based International Synthetic Fibres Association and the chemical companies, Akzo, Hoechst, ICI and SMI Fibre.

The case concerned the state aid regime applicable to the synthetic fibre sector in the context of the regional aid rules. By a 1985 decision (85/18/EEC) the Commission had authorised the grant of regional aid to certain regions including Longwy. However, that decision was without prejudice to existing or future specific sectoral aid rules.

In a letter sent to EC states in 1977 the Commission had established a special aid regime for the synthetic fibres sector. The system of pre-notification established was intended to prohibit aid that would increase capacity. Regional aid was expressly included.

The regime, never challenged by EC states, was extended every two years, a communication of July 8 1989 being the extension at the time of the proceedings. This said the Commission disapproved in advance any aid that would increase capacity regardless of the type of product or end-use (textile or industrial). France granted Allied Signal regional aid to build a plant in Longwy to make polyester fibre for industrial use, namely the supply of European tyre makers.

In June 1990 the applicants asked the Commission to intervene. The Commission replied that the aid was granted in accordance with regional aid rules and had been announced before the last extension of the synthetic fibres regime. Consequently there was no obligation to notify the aid prior to its grant.

The court rejected the Commission's arguments that the synthetic fibres regime was intended only to apply to textile use and had been modified to exclude industrial use by an inconsistent 1989 decision approving aid granted to a German

producer. Neither the facts nor the texts of the relevant measures supported this interpretation. The ECJ ruled that the aid was subject to the pre-notification requirement.

C-319/90, CIRFS v Commission, ECJ 5th March 24 1993

International Labour Organisation Chemical Safety Convention.

At the request of the Commission the ECJ has delivered an opinion under its Treaty powers in the context of international agreements on ILO Convention 170 concerning safety in the use of chemicals at work.

The ECJ considered whether the ILO Convention falls within the scope of the Community's competence and, if so, whether the Community's competence is exclusive. Applying its previous decisions in this area the Court ruled that the ILO Convention 170 falls within the joint competence of the Community and the member states.

The Court emphasised it was not only where Community rules had been adopted within the framework of a common policy that the member states cannot, outside the framework of the Community institutions, assume obligations that might affect those rules or alter their scope. Concurrent powers of the member states were restricted in all areas where Community rules have been adopted for the attainment of the Treaty's objectives.

The ECJ found the Community has internal legislative competence in safety in the use of chemicals at work overlapping the scope of the Convention. However, to the extent that the power of EC states to apply stricter measures than any directives adopted meant there was no conflict with equivalent provisions in the convention, Community competence was not exclusive.

Where EC rules such as those relating to classification, packaging and labelling of dangerous substances were more than minimum requirements, commitments arising from the convention could affect the Community rules. Member states must not undertake such commitments outside the framework of Community institutions.

Opinion 2/91, ECJ 5th March 1993

BRICK COURT CHAMBERS, BRUSSELS

PEOPLE

British Steel: Frame steps down

Brian Moffat's way to the top of British Steel has been cleared more swiftly than he could have hoped - twice over. Appointed chief executive in July 1991 after the unexpected resignation of Martin Llowarch, he now assumes the chairmanship as well because Sir Alistair Frame is resigning at the end of April.

Sir Alistair, who has held the position for just nine months and turns 64 in April, is listening to medical advice to reduce his business commitments. At Wellcome, where he has been chairman since 1990, chief executive John Robb says the company was "actively considering the succession" adding that it had been planned "for some time past" that Sir Alistair would retire within the next year or so.

His departure is a blow to British Steel, which has long been criticised for its inbred management structure. By con-



trast, the arrival of Sir Alistair, former RTZ chairman, to replace Sir Bob Scholey, then executive chairman, had initially been greeted as a suitable injection of new blood. Last November, the company declared a pre-tax loss of £51m for the half year to October 3, and omitted its interim dividend. But Sir Alistair had yet to make any impact, probably because of his brief sojourn.

AIRBUS INDUSTRIE, the European aircraft consortium, has appointed a 54-year-old German aerospace engineer as its new chief operating officer. Volker von Tein will replace another German, Herbert Flosdorff, in the number two position after the managing director, Jean Pierre.

Since the post of chief operating officer was created in 1989 following an exhaustive

review of the consortium's management structure, the job has traditionally gone to a German.

Von Tein comes from Deutsche Aerospace, the German partner in Airbus. The three other partners are British Aerospace, Aerospaciale de France and CASA of Spain.

At Deutsche Aerospace, von Tein was general manager for space transport and propul-

sion systems and has also been involved in various international aerospace co-operative programmes.

The new Airbus number two takes over at a particularly difficult and challenging time for the consortium which has been hit by the current prolonged recession in commercial aviation, more than 100 aircraft orders have been cancelled in the past 12 months.

before making £3m last year. Coutts was acquired by National Provincial Bank in 1920, but it has remained an autonomous part of the NatWest group for many years.

Ian Farnsworth, the managing director, has been appointed a deputy chairman of Coutts & Co from June 1, along with The Hon Nicholas Assheton. (See Observer).

Coutts' new chairman

Sir Ewen Fergusson, the former British ambassador in Paris, is to take over from Sir David Money-Coutts as non-executive chairman of Coutts & Co, bankers to Britain's royal family since the reign of George III.

Sir David, who joined Coutts in 1954 and has been chairman since 1976, is the great great grandson of Thomas Coutts. He will remain on the board as a non-executive director. Although it is unusual for Coutts, now owned by National Westminster Bank, to bring in an outsider as chairman, it is not unknown.

Sir Seymour Egerton, who was chairman for 25 years before Sir David took over, was not a member of one of the founding families. However, he did work in the bank for five years before becoming chairman. Sir Ewen, by contrast,

joins the board in May and becomes chairman at the end of September. He will also be chairman of Coutts & Co Group and Coutts & Co International Holding in Zurich.

A former Scottish rugby international, Sir Ewen, 60, joined the Foreign Service in 1968. Apart from serving in the British embassy in Addis Ababa and the British Trade Development Office in New York, his career has included stints as ambassador to South Africa and principal private secretary to three foreign secretaries: James Callaghan, Anthony Crosland and David Owen.

Although Coutts has a reputation as one of the world's most exclusive private banks, its recent performance has been lacklustre. Having made pre-tax profits of £19.3m in 1990, it lost £15.2m in 1991.

Amber Day picks Carr



Amber Day has appointed a non-executive director to help restore its credibility, damaged by last year's collapse in profits and the departure in September of Philip Green, its controversial chairman and chief executive.

Peter Carr until recently worked in Spain, where he was chief executive of Galerías Preciados from 1988-91, when the group enjoyed an increase in profitability. Before that he spent 11 years, up to 1986, with the stores group Debenhams and was promoted to managing director in 1984. He has also worked for British Home Stores and been a consultant to a number of European retailers.

Carr, 52, is the first of two non-executive appointments promised by Stacey Ellis, also 52, who became chairman in January after leaving Inchcape, the motors and business services group.

Amber Day, which owns the What Everyone Wants discount stores, is still looking for a new chief executive, a role currently being covered by David Thompson, the finance director. "Credibility is beginning to be re-established, both internally and externally," says Ellis.

Other non-execs

■ Alan Wheatley, chairman of 3i Group, at FORTE.
■ Rosemary Day, operations director of Allied Dunbar, and Robert Dorey, chairman of its finance committee, at LONDON UNDERGROUND.
■ Brian Perry, chairman and md of Hogg Robinson, and Evis Soames, a director of Charles Barker, at LIBERTY.
■ Kenneth Barnes, Cliven's representative at LEARMOUTH & BURCHETT, has resigned following Cliven's sale of its shareholding.

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NOTICE is hereby given that GLOBAL GOVERNMENT PLUS FUND LTD has announced that its shareholders approved at its Annual General Meeting held on March 12, 1993 the continued existence of the Company. The Company will continue the suspension of the quarterly repurchase programme and the Company intends to provide its members with the opportunity to vote with respect to the voluntary liquidation and winding-up at each succeeding Annual General Meeting.

The Board of Directors of Global Government Plus Fund Limited declared a quarterly dividend of US\$ 0.035 per share payable on the next quarter on a monthly basis April, May and June, 1993. The monthly dividend reflecting the quarterly declaration will be US\$ 0.035 per share to be paid on April 30, 1993 to shareholders of record at April 16, 1993, on May 31, 1993 to shareholders of record at May 17, 1993 and on June 30, 1993 to shareholders of record at June 15, 1993.

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The FT proposes to publish its survey on May 4 1993. For a full editorial synopsis and advertisement details, please contact:

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FT SURVEYS

The lighter hearted side of Rouault

William Packer discusses the qualities that make this artist unique

Georges Rouault was born in 1871 and died in 1958 at the age of 87, to be honoured in the death of a state funeral in the church of St Germain-des-Prés in Paris. Even so, for an artist who had been so prominent in that heroic period of the School of Paris in the first two decades of this century, he had remained in his work, as in his life, a man apart. He was seen from the start, along with Matisse, Vlaminck and Derain, as one of the leading figures - indeed he was shown in the eponymous room at the Salon d'Automne of 1905, la cage aux fous - his immediate distinctiveness was immediately apparent.

We all know the image, from countless posters and Christmas cards - the dark yet oddly luminous intensity of the colour and the heavy, black delineation of the image, which together betray Rouault's early training in the disciplines of stained-glass: the lowering mood and heavily symbolic religiosity of the imagery; the mournful heads and desolate figures, no less intense.

There is much more to Rouault than that, and it is at once the delight and the achievement of this exhibition to bring back to us the whole artist in all the vigour and authority of his first maturity, fully alive to the spirit of the time and yet always his own man. He had trained as a painter, as had Matisse, in the studio at the Ecole des Beaux Arts of the great symbolist painter, Gustave Moreau, and the show opens with a darkly brooding self-portrait of this time, a large drawing of 1895, sadly damaged in the last war. In 1902, already in his

thirties, he suffered a serious mental breakdown. His recovery and return to Paris the following year mark a clear break with the past, at least in his work. He would always remain the symbolist at heart, in the spirit that informs his work, but a symbolist that was now, in the immediacy of the statement and the directness of his method, a fully fledged expressionist - which is where this exhibition starts.

What is surprising is not the change itself, the immediate mastery demonstrated by the new approach. Munch and Ensor had been active for 20 years and expressionism was in the air. Of all French painters of his time, Rouault is closest in feeling to what the German expressionists were doing, or about to do - Schmidt-Roth, Kirchner and the rest. And yet any such comparison can only confirm the essential singularity of Rouault's achievement. For with all the raw visual force with which the particular subjects are seen and presented, there is also a countervailing - technical sophistication that is entirely French - that graphic, realist tradition of Lautrec and Degas, Forain and Daubigny. It is the combination that makes Rouault unique.

There is, too, a further surprise, for, in qualifying and moderating Rouault's authority, both moral and technical, there is revealed in the work a delicacy and lightness of touch, a quality of graphic knowledge and wit that, for one, had not been expected. Once noticed, it is obvious enough. But his work has for so long been shown in single spates, or small groups at best, that such lightness is all too readily swamped. The works are

shown here in groups related by theme, and suddenly how much there is to relish and enjoy in these low-life tableaux, these rows of prostitutes and fairground Aunt Sellys, these clowns and players and ingenuous judges.

To go from the Academy to its constituents: two Royal Academicians have shows current, though there is barely space here to do more than recommend them to you. Adrian Berg indeed has two on the go: the larger, at the Barbican, a retrospective tour through the particular landscape subjects that have engaged him these 20 years and more, from Regent's Park to the Lake District; the smaller, at the Piccadilly, of the extended series of water-colour studies of the sea and cliffs between Brighton and Beachy Head that occupied him through the summer of last year.

Berg is among the most adventurous and radical of our landscape painters, nothing loath to simplify and abstract the image; to indulge colour for its own sake; to fix upon the particular qualities of the mark to see where that might lead; to shift his point of view within the subject, or even physically to turn the canvas on its side and upside-down. The paradox is that such independence of spirit is the direct function of the close attention he invariably fixes upon his subject, immersing himself in it day by day, even season by season. In the days when he lived high above Regent's Park, his paintings would often follow the cycle of the year; and, the next year, around again.

Bernard Dunstan, at Agnew's, is the most accom-



'Mother and Child', 1905 by Georges Rouault; watercolour, gouache and oil on paper

plished of painters and a master of pastel, which, of all the graphic media, is the most delicately demanding. He is an *intimiste*, a life-long student of Bonnard and Vuillard, moderated by an Englishman's cooler sympathies for Sickert and Nicholson. His subjects are the interior; the chamber orchestra in concert; the nude caught in the morning light; and the civilised cityscape, most of all of

Venice, in all lights and all weathers. He does what he does quite beautifully and suffers thereby in his critical reputation: for how, to the serious-minded, can anything so charming be at all serious?

Georges Rouault: The Early Years, 1903-1920; Royal Academy, Piccadilly W1 until June 6, sponsored by BMW 8 Series in association with Harpers &

Queen. Adrian Berg: A Sense of Place; Barbican Concourse Gallery until April 17, then on to Bath, Plymouth, Newport (Gwent), Sheffield, Newcastle-upon-Tyne and Edinburgh. Adrian Berg: The South Coast; the Piccadilly Gallery, 16 Cork Street W1, until April 17. Bernard Dunstan: recent paintings, pastels and lithographs; Agnew's, 43 Old Bond Street W1, until April 16

Miller's 'Maria Stuarda'

For the Opéra de Monte-Carlo Jonathan Miller is engaged on a substantial Donizetti enterprise: the so-called "Tudor trilogy" in annual instalments. Last year it was *Roberto Devereux*; *Maria Stuarda* has just opened at the Monte Carlo Opera House; next year *Anna Bolena* completes the cycle.

Every *Maria Stuarda* revival is inherently interesting - the opera, patchy in inspiration, reaches peaks of fiery excitement the equal of any in Italian Romantic opera. In addition, this latest has developed an unexpected topicality for British opera-goers: it will be presented at this year's Buxton Festival, in part-replacement of the programme devised by Jane Glover and then ditched - at the eleventh hour, and in controversial circumstances - by the Buxton board.

The most positive verdict I could give out, at the close of Friday's performance, is that with a sustained effort of preliminary re-thinking and (if at all possible) re-casting, the show may just scrape by at Buxton. It affords at least the secure foundation of a handsome, strongly imagined permanent wooden set (designed by the young Israeli Roni Toren), which manages to suggest both "authentic" 16th-century theatre practice and a modern economy of stage effect. Clare Mitchell's costumes are similarly well executed. The basic production conception - such new scene as (Act 1 straight out of *Billiard*) - has been supported by the designers with precisely detailed work.

Beyond this, however, I spent most of the evening trying to figure out what on earth Miller was up to. In one of the many aggrieved interviews he has recently given to the British press (mainly on the subject of his unwarranted neglect by our own opera houses), he poured out his misery at having to work so much abroad, and particularly in Monte Carlo, whose populace he defined as "tax-dodging, fur-coated fools". Could the amazing blankness of the show, the extraordinary inertia that settled on its characters and situation, be a subtle feat of producer's irony - an attempt to "place" the audience level and criticise it all at one go?

The dramatic rationale of the evening, seldom contradicted, was that the principals ambled in to take up their positions and go through their (slow) motions; quick-witted delivery of, or response to, words seemed out of the question. At the opera's climax - Mary shouts "Vil bastard!" at Elizabeth, who summons guards to surround her rival - the placid trotting-in of the soldiers was a moment of unintended opera comedy of the purest sort, although for anyone who remembers the lightning-forks of excitement John Copley, Janet Baker, Pauline Tinsley and the ENO chorus let loose at the Coliseum in 1973, it was a moment mixed with puzzle and even sadness.

With a single exception the cast lacked the personality and command of the *bel canto* arts necessary to penetrate the veil of minimalist direction thus thrown over the opera (and in the routine conducting of Gianfranco Masini there was little countervailing inspiration). Christine Weidinger (Mary), a sympathetic but very uneven soprano, and Mariana Gioranna (Elizabeth), a competent, vocally unyielding mezzo, sustained this role; Keith Lewis, a Leicester of ardent, elegant vocal style, provided its single exception. Unfortunately, it is the leading ladies, rather than the leading men, who will accompany this production on its transfer to Buxton.

Opéra de Monte-Carlo: final performance on Thursday

'Rigoletto' in Los Angeles

Even two Domingos failed to raise the Los Angeles Music Center Opera's *Rigoletto* - originally to have been a new production by film director Peter Medak - above routine. Maria Domingos, the famous tenor's wife (and in this case conductor's) end, made her American debut, born by four centuries - in the opening scene; conjured the traditional staging (originally by Zack Brown) borrowed from Washington Opera.

At the third performance, neither Domingos seemed to have determined where the accents fall. The distracting business of the page's entrance in Act 2 caused more of a fuss than the jester's "Cortigiani" moments later. Mrs Domingos confined her innovations to the serving up of Monterone's laughter on a silver platter born by four centuries - in the opening scene; conjured the traditional staging (originally by Zack Brown) borrowed from Washington Opera.

Conducting a frequently sluggish *Rigoletto*, Plácido Domingo similarly showed little interest in shaping the score or even regulating instrumental balances, allowing the

Timothy Pfaff

European Community Youth Orchestra

The main theme of Sunday's concert at the Royal Festival Hall was youth. The event was being given in aid of the Keyboard Charitable Trust for Young Professional Performers and the organisers had, ingeniously brought together the European Community Youth Orchestra with both a youthful soloist and a still young conductor, at least for the second half.

Yevgeny Kissin, announced his energy, boldness, youthful super-confidence from the first notes that he played. One rarely hears the opening flourishes of Beethoven's "Emperor" Piano Concerto so bright and forward. The whole performance was dominated by Kissin, even when the piano part had relatively unimportant material, because his playing was consistently up-front, demanding to be heard before anything else that was going on.

By chance I had not caught this concerto live for a while and one of the last performers was Claudio Arrau, then well into his 80s. It is easy to generalise, but these two performances really were at the opposite extremes - Arrau thoughtful and mellow, glowing with maturity; Kissin all unabashed power and brilliance. The note-by-note clarity of his scales was dazzling; his attack was metallic and forceful.

Played like this, Beethoven can easily start to sound relentlessly trium-

phal, the "Emperor" Concerto more than most. The saving grace on this occasion was the effectiveness with which the conception was carried through. At one point in the finale, as Claudio Arrau visibly galvanised his orchestra into matching the pianist's exuberance, Kissin let a smile pass across his face - silent recognition that his nerve had won through.

After the interval Arrau passed the baton to Mark Wigglesworth for Shostakovich's Tenth Symphony. This is the sort of piece in which young players can shine. The virtuosity demanded by Shostakovich is of unanimity, of fearless attack, of bold colours, and in those categories the ECTYO musicians are pretty impressive. It is remarkable what a difference it makes when every member of an orchestra is giving his or her all, right to the back desk of the violas.

At the risk of pushing the evening's leitmotif too far, it is possible to say that Wigglesworth also has a young man's view of the symphony. The first big climax impatiently arrived too early; later outbursts sometimes ignited spontaneously, rather than coming as the logical and of Shostakovich's long, slow fuse. But the performance had energy and character. It was exciting in the right, youthful way.

Richard Fairman

Song recitals in London

Jerry Hadley, Jennifer Larmore

Jerry Hadley's recital attracted a surprisingly small audience to the Purcell Room on Wednesday. London's regular canny-fanciers were generally conspicuous by their absence. The first night of *Pelléas* across the river may have accounted for some of them, though that opera is unpromising territory for canaries; otherwise the lack of response to what is by any standards one of the most refreshingly direct and attractive vocal works of the present generation was hard to explain.

The biography in the programme categorised Jerry Hadley as "highly regarded as a cross-over artist", and his choice of programme seemed designed to emphasise this versatility. Mainstream 19th-century repertoire (Schumann's *Dichterliebe*, Liszt's *Petrarch Sonnets*) began the programme, folk-song arrangements and modern American settings ended. The latter came over as more convincing, for although Hadley occasionally faltered under a rapid, concentrated time for some of the *Lieder* - the last of the Petrarch settings, "I vidi in terra angelici costumi" in particular was wonderfully sustained and controlled vocally - the approach seemed too generalised and extrovert, too full-throated, to probe beneath the surface of the songs for further expressive layers.

Cheryl Drake, Hadley's wife, was his accompanist; she was rather plain

and unprepossessing in the art songs, more supportive in the vernacular numbers. Britten's arrangements had been originally promised for the folk songs, but most of this selection had been titivated in a heavy-handed way by Luigi Zannelli, whose unflinching trick seemed to be a canon between the piano and vocal line in the last verse of every song.

Hadley, though, delivered them all ("The Water is Wide", "Black is the Color", "Shenandoah", "Sweet Betsy") with unaffected good humour, and also made excellent cases for Rochester's "Rise Up, My Love" (strikingly Tippett-like in its figuration - what a good job Hadley would make of *The Heart's Assurance*), a John Duke setting of e e cummings, and John Alden Carpenter's "Serenade". Far from losing their subtlety and poise such settings positively thrive on the larger-than-life qualities that seem to be his mainstays as a recitalist.

Andrew Clements

Jennifer Larmore, another American singer currently riding high in international opera-house esteem, managed to fill the Wigmore Hall for Sunday's recital - her first in London. Miss Larmore's mezzo-soprano is an instrument of extraordinary beauty, at once full and agile, graceful in slow music and brilliantly fleet in fast, its rich tones evenly spread across a compass of more than two octaves; and since she is also fair of face and figure, the promise of the occasion seemed immense.

Max Loppert

INTERNATIONAL ARTS GUIDE

AMSTERDAM

Muziektheater Tonight: final performance of Pierre Audi's Netherlands Opera production of Monteverdi's *Ulysses*, with Anthony Rolfe Johnson and Graciela Araya. Tomorrow, Fri, Sat, Sun afternoon, next Tues, Thurs, Fri, Dutch National Ballet's Tchaikovsky programme, with choreographies by Balanchine and Edouard Lock (8255 455). Concertgebouw Tonight: Ton Koopman conducts Amsterdam Baroque Orchestra in works by Bach, Vivaldi and Haydn, with cello soloist Yo Yu Ma. Tomorrow: Ma is soloist with Amsterdam Drama Orchestra. Fri evening, Sun afternoon: Koopman conducts Bach's Matthew Passion. Sat afternoon: Valery Gergiev conducts Radio Philharmonic Orchestra in works by Strauss, Ravel, Prokofiev and Stravinsky, with piano soloist Alexander Toradz. Sat evening: Mihal Tang conducts Hoyas Flinders Philharmonic in Rachmaninov and Brahms/Schoenberg. Sun evening: Kathleen Battle song recital (6718 345).

BRUSSELS

Palais des Beaux Arts Tonight: Tokyo String Quartet plays works by Haydn and Bartok. Next Mon: Ivan Moravec piano recital. Next Tues: New York Philharmonic Orchestra (507 8200). Monnaie Thurs: René Jacobs conducts first night of Herbert Wernicke's new production of Cavalli's *La Calisto*, with a cast including Maria Bayo, Simon Keenlyside and Dominique Visse. Repeated April 2, 4, 6, 8, 9, 11 (218 1211). Théâtre National Daily till Sat: Racine's classical tragedy *Phèdre*, directed by Jean-Marie Villégier (217 0303).

CHICAGO

This week's Chicago Symphony Orchestra concerts are conducted by Christoph Eschenbach. Tonight's programme includes music by Dvorak, Tchaikovsky and Mozart. Thurs, Fri, Sat, next Tues: Eschenbach plays three Mozart piano concertos (435 6666).

GENEVA

Théâtre de Carouge Monique Lachère's new play about Catherine de Medici, daily till Sun (343 4348).

Comédie Roger Planchon's play *La Rampe*, directed by Alain Francon daily till Sat (320 5001). Grand Théâtre Next Mon: first night of triple bill consisting of Schoenberg's *Erwartung* and Pjotr Ilyich, and Berg's *Der Wein*. David Porcelijn conducts a staging by Pierre Strosser (311 2311).

THE HAGUE

Dr Anton Philipszalm Tomorrow: Reinbert de Leeuw conducts Schoenberg Ensemble in works by Korndorf, Sorabji and others. Sat evening, Sun afternoon: Janos Furst conducts Hague Philharmonic Orchestra in Rossini, Liszt, Barber and Kodaly, with piano soloist Barry Douglas (360 9810).

ROTTERDAM

De Doelen Sat and Sun: Matthias Bamert conducts Rotterdam Philharmonic Orchestra in works by Elliott Carter, with piano soloist Ursula Oppens (413 2490).

UTRECHT

Vredenburg Tonight, next Mon, Tues: Bach's Matthew Passion. Tonight (in small hall): Cleveland Quartet. Thurs: Valery Gergiev conducts Radio Philharmonic Orchestra in works by Strauss, Ravel, Prokofiev and Stravinsky, with piano soloist Alexander Toradz. Sat: Graeme Jenkins conducts Radio Symphony Orchestra in MacDermott, Elgar and Handel, with celloist Julian Lloyd Webber. Sun: Mihal Tang conducts Royal Flanders Philharmonic in Rachmaninov and Beethoven, with

pianist Sergio Tiempo. Sun evening: Kenneth Montgomery conducts works by Strauss and Debussy (314544).

VIENNA

Konzerthaus Tonight: Kurt Masur conducts New York Philharmonic Orchestra in works by Hindemith and Dvorak. Tomorrow: Nana Mouskouri. Tomorrow (Mozart Saal): London Baroque plays works by Handel, Stanley, Boyce and others. Thurs: Olli Mustonen piano recital. April 18, 19: Kirov Opera (712 1211). Musikverein Tonight: Peter Schreier conducts Leipzig Bach Orchestra and Radio Chorus in Bach's St John Passion, with Robert Holl, Sylvia McNair, John Mark Ainsley and Andreas Schmidt. Tomorrow, Thurs, Sat: Horst Stein conducts Vienna Symphony Orchestra in works by Sibelius, Berg, Debussy and Ravel, with violin soloist Christian Altenburger. Sat afternoon, Sun morning: Seiji Ozawa conducts Vienna Philharmonic Orchestra in Haydn, Bartok and Rimsky-Korsakov (505 8190). Staatsoper Tonight, Fri, next Mon: Seiji Ozawa conducts Falstaff, with Benjamin Luxon, Vladimir Chernov and Nancy Gustafson. Tomorrow: Donald Runnicles conducts Il barbiere di Siviglia, with Gloria Scalchi, Rockwell Blake and Enzo Dara. Sat: Salome with Marilyn Zschau and Leonie Rysaneck. Sun: Tosca with Maria Guleghina (51444 2553). Volksoper Tonight: La coccia di Figaro. Tomorrow: Der Vogelhändler. Thurs: Lady Macbeth of Mtsensk. Fri: Der Freischütz. Sat: Eugene Onegin. Sun: Das Land des

Lächens. Mon: Cunning Little Vixen (51444 2953).

WASHINGTON

Kennedy Center Dance Theatre of Harlem opens a two-week season in the Opera House tonight with choreographies by Balanchine, Smolin and Alley (repeated tomorrow and Thurs). Fri, Sat, Sun: works by North and Franklin. Iona Brown directs National Symphony Orchestra in a Richard Strauss and Vivaldi programme tonight in the Concert Hall, followed by an all-Bach programme on Thurs, Fri, Sat and next Tues (202-467 4800). Baltimore Symphony Orchestra Thurs, Fri, Sat at Joseph Meyerhoff Symphony Hall: David Zinman conducts works by Chopin and Sibelius, with piano soloist Nelson Freire (410-783 8000).

THEATRE

● Six Degrees of Separation: John Guare's long-running Broadway play, directed by Jerry Zeks, is a tragic satire of 1980s New York among the be's and wannabes. Daily till Sun (National Theater 202-628 6161). ● Imagine Drowning: Terry Johnson's play set in the sinister environment of a boarding house on the Maine coast. Till April 11 (Studio Theater 202-332 3300). ● Day Trips: Jo Carson's memory play about the dreams and reality of three generations of women coping with the challenges of their ages. Till April 25 (Roundhouse Theater 301-217 3300).

JAZZ/CABARET

Barnes of Wolf Trap Tonight and tomorrow: singer/songwriters Lowen and Navarro. Fri: music from eastern Europe and central Asia, including Croatian tamburica from Chicago and Bukaran Jewish Ensemble. Sat: music from Belize, Cuba and Mexico (1624 Trap Road, Vienna, Virginia, 703-255 1916). Blues Alley Jazz Supperclub Tonight: tribute to John Coltrane (1073 Wisconsin Ave, in the alley, 202-337 4141).

ZURICH

Schauspielhaus The main event this week is the premiere on Sat of Arie Zinger's new production of Ibsen's *Hedda Gabler*, followed on Sun morning by a discussion with Giorgio Strehler. The repertoire also includes Botho Strauss' *Kalkedony Parca* tonight, Brendan Behan's *The Hostage* tomorrow, Fri and Sun, and Goethe's *Clavigo* on Thurs (221 2283). Opernhaus Tonight, Fri and next Tues: Ruth Berghaus' production of Elektra, with Deborah Polaski and Reinhold Runkel. Tomorrow: Il barbiere di Siviglia. Thurs and Sat: Massenet's *Herodias* with Grace Bumbury. Sun (also April 8, 10, 12, 15): Die Walküre with Janis Martin, Lucia Popp, Robert Schunk and Alfred Muff. April 13: Thomas Hampson song recital (282 0909). Tonhalle Tomorrow: Erich Leinsdorf conducts Tonhalle Orchestra in works by Bach and Mahler, with soprano Robert Alexander. Thurs: Arts Quartet plays Mozart and Zemlinsky (206 3434).

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Arts Guide

Monday: Berlin, New York and Paris. Tuesday: Austria, Belgium, Netherlands, Switzerland, Chicago, Washington. Wednesday: France, Germany, Scandinavia. Thursday: Italy, Spain, Athens, London, Prague. Friday: Exhibitions Guide.

Last year, the voucher scheme to put the assets of the now-divided republic of Czechoslovakia into private hands held out the hope of prosperity for millions of ordinary Czechs and Slovaks. But those who participated in the privatisation programme - one of the most ambitious in the former communist bloc - are now wondering when - or if - they will receive their shares.

Investors were given a jolt last week when the Czech government announced it was preparing to seize shares in Czech industry due to be allocated to Slovak investors. The move reflects a deterioration in relations between the two new republics arising from a bitter dispute over the allocation of assets belonging to the former Czechoslovakia - ranging from national reserves to state buildings.

Under the privatisation scheme, applicants bought vouchers which they could use to bid for shares. Every citizen aged 18 or more could buy one voucher book for Kcs1,035 (US\$35) - roughly equivalent to a week's wages. Each book was worth 1,000 investment points to be used to bid for shares in five bidding rounds. The first round was held in June 1992, and the final round was held last December. Shares were to be transferred, starting yesterday, but distribution has been delayed until after Slovak investors have been identified.

The Slovak government reacted angrily to the announcement from Prague, but ruled out retaliatory action. The move also dismayed investment fund managers who believe the action could undermine confidence in the nascent Czech stock market.

The Czech government insists its privatisation programme will not be affected: shares will be transferred to Czech investors after what it hopes will be only a short delay. Slovak investors will be given partial compensation. None the less, uncertainty surrounding the scheme has been heightened.

No one knows quite what to expect when the shares are finally transferred. Officials hope the programme will give birth to a lively securities market and bolster the country's emerging market economies. But some economists warn of a collapse in share prices from their nominal values and of confidence in capitalism.

The truth probably lies somewhere in between, with

Struggle to clinch a sale

Patrick Blum examines the prospects for privatisation in the Czech and Slovak republics



winners as well as losers among the 8.5m investors who bought stakes indirectly in 1,500 companies with an estimated book value of more than \$10bn. A handful of financial institutions will make big gains. Many small investors may jump at the opportunity to make a quick profit by cashing in their shares, while others, with stakes in heavily loss-making companies, will be left with worthless paper. In the background, foreign investors are watching closely.

The decision to privatise state industry through a voucher scheme was the preferred option of the Czechoslovak government because it believed it would provide the widest possible dispersion of assets.

Initially, the government's offer met a lukewarm response. But interest grew when Prague-based Harvard Capital and Consulting (HC&C), a private investment fund, offered to buy portfolios from investors for 10 times the nominal price of their voucher

books one year after the distribution of shares. Other funds followed, offering similar or higher returns. The prospect of certain profit enticed inexperienced investors to buy vouchers and leave it to the funds to make the investment decisions. The response to the funds' offers created an unexpected concentration of privatised assets. According to a recent report by PlanEcon, the US consultancy group, the nine largest funds - there are more than 400 - control almost half of all investment points. By contrast, direct investment by individuals accounts for only 28 per cent of vouchers.

"What you have is not a new class of entrepreneurs, but a change in ownership. Instead of government ministries, the bulk of what was privatised is now controlled by a small group of private institutional investors," says Mr Jan Vanous, president of PlanEcon. Mr Jiri Skalsky, Czech privatisation minister, is cautious about interpreting these developments. "I cannot say that

I'm happy with this situation, or not. What is important is how the voucher funds will operate and act as managers." Individual funds cannot hold more than 20 per cent in privatised companies - those with larger stakes must sell surplus shares by the end of the year. Mr Skalsky says this will ensure single investors cannot block decisions. But funds have already joined forces in some companies to impose management changes.

"The funds don't have share certificates yet, but they're acting like shareholders and they want to influence the running of companies," says Mr Richard Surrey, an executive with Squire, Sanders & Dempsey, the US law firm which has helped to implement the privatisation programme.

But many funds are short of cash to make good their promises to investors and will be under considerable pressure to sell shares to raise money. Moreover, they have no experience in managing extensive portfolios or manufacturing companies. The fear is that they will seek quick returns by selling company assets.

Mr Skalsky says these problems should not be exaggerated. "The funds will behave differently. Some will focus on a smaller number of companies in which they'll want to play an active role; others will act more like portfolio managers. The market won't collapse."

Not everyone agrees. "The market is shallow. If funds have to sell shares, it will cause problems, though there are lots of foreign investors waiting exactly for that to happen," Mr Surrey says.

Foreigners could not invest directly in voucher privatisation, but they will be able to buy shares on the secondary market. "Labour costs are about one tenth of those in Germany. It's an ideal situation for a foreign company wanting to buy a factory or two," says one analyst.

Analysts expect foreign investors will have an important influence on the market's development. "The behaviour of foreign investors will be critical in determining how deep the initial plunge in [share] prices is, and when the recovery takes place," says PlanEcon. It may also determine whether investors think it worthwhile to hold on to their shares and whether the objective of popular capitalism will be attained. For many investors, however, that dream may already have been swept away by the dispute between the two new republics.

Joe Rogaly

A test for John Patten



The secretary for education, Mr John Patten, faces a simple test this summer. He will be required to answer, preferably on one side of a sheet of paper, one of the following questions:

1. Why are teachers refusing to test schoolchildren?
2. A secretary for education must convince teachers that the tests required under the national curriculum are sensible. Discuss.

3. When everyone says you are mistaken, is it possible that you are wrong?
Mr Patten appears not to know how to tackle these questions. If he fails he should be assessed as a dunce. The first task of any education secretary is to establish a rapport with teachers. Mr Patten has not done so. The evidence is before our eyes, in the current of discontent running through the staff common rooms of Britain's secondary schools.

It is important to be clear about this. I am not talking about the teachers' trade unions, but teachers themselves. The absurdly posturing National Association of Schoolmasters/Union of Women Teachers, the second largest of the six unions, proposes to boycott all the national tests due in June. The more focused National Union of Teachers, the largest union, threatens to sabotage the English test for 14-year-olds. It will ballot its members in May. The Secondary Heads Association decided last week that its members will not try to prevent disruption of the English tests. The SHA may, however, allow headteachers to switch on their staff, by reporting them to the school governors or the local education authority. Either could discipline any recalcitrant.

The larger National Association of Head Teachers has hummed and hawed. Thus do the associations of principals balance their principles. If the above was the whole story Mr Patten would deserve support. The correct attitude to teaching unions that call strikes or boycotts is to thump them hard, and bankrupt them when they break the law. What is different this time is that it is ordinary, non-loony teachers who are unsettled. We need to understand why.

The explanation begins with the Education Reform Act, potentially the most beneficial legislation of the 1990s. It followed a decade of dithering about the low expectations of England's schoolteachers, many of them befuddled by "child-centred" theories of pedagogy. The new law smashed the previously locked door to the "secret garden" - the little acres of classroom in which teachers strutted like gods - and imposed a structure on the system. The foundations of a national curriculum were laid. The next step, national tests at various stages of a child's life, seemed to follow logically.

Teachers resisted testing even more than the idea of a curriculum imposed by law. What they particularly disliked was testing designed to measure their own output, rather than the progress of the children. Conservatives of the fundamentalist-right persuasion on education wanted quick, simple written tests, not unlike those used in public schools. Progressives of the fundamentalist-left wanted continuous assessment of children's progress, controlled by the teachers. At the education department

ment the assembled civil servants rubbed their hands. They gave the left the semblance of what it wanted, disguised as a presentation to the right.

Enter Lord Griffiths of Ffynafar, when he was plain restfach. When he was plain Professor Brian Griffiths he was adviser to the prime minister, then plain Mrs Margaret Thatcher. Speaking for the right, he concurred with his then boss, whose instinct was that the 10-layered, multi-choice, paper-heavy system about to be approved by Mr Kenneth Baker, the education secretary of the time, would eventually collapse under its own bureaucratic weight.

Mr Baker's several successors did their best to simplify the original plans. The chief inspector of schools reported yesterday that the slimmed-down (but still copious) tests at primary school level are working, and that the quality of teaching and learning by seven-year-olds has improved. His report found fault with both teaching and assessment in secondary schools, which are at an earlier stage of introducing the new system.

In due course Lord Griffiths became chairman of the school examinations and assessment council, SEAC. To the programme of simple testing its draft English assessment schemes looked like prime examples of what they call the "educational establishment's juggernaut". It tested too much imagination and too little hard knowledge, too much free-flow of ideas and not enough basic skills. It took forever to get through. Lord Griffiths tried to improve what he found. SEAC's 1993 90-minute and one-hour tests go the

other way. Preparation requires brief reading from a slim anthology. The tests aim to assess whether the children have been taught to comprehend what they read. They take note of skills in grammar, the child's vocabulary, a short piece of writing, and evidence of some prior reading. No wonder English teachers hate them.

Mr Patten has to regain control of the argument. Just the other day the education secretary attended a meeting at the Centre for Policy Studies (co-founder: M. Thatcher) at which Lord Skidelsky, a member of SEAC, tore into the system of tests, which he described as a fudge between the doctrine that testing should be diagnostic of individual educational strengths and weaknesses and the government's desire to measure the effectiveness of teaching and schools. Professor Griffiths was there, as were Mr David Paskall, chairman of the National Curriculum Council (NCC) and several other key players.

I do not know if Mr Patten got the message. His civil servants assume absolute control over the curriculum and testing when, later this year, Sir Ron Dearing, ex the Post Office, merges the NCC and SEAC into a new acronym. What the thus even more powerful education department should do is plain. National tests should be simplified on Griffiths' lines. That would give the government its measures of performance. It would save much classroom time. Teachers could use the spare hours for their preferred style of continuous diagnostic assessments. Such a Jack-and-Mrs-Spratt ending could only be brought about by a confident minister, blessed with the confidence of the teachers. If this paragon turns out to be John Patten I shall stay after class and write 100 lines.

It is ordinary, non-loony teachers who are unsettled. We need to understand why

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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The best bet that France can make

From L van den Muyzenberg.

Sir, John Plender's article, "Le doomsday machine" (March 26), claims that France should abandon its *franc fort* policy mainly because of probable bank losses in property. The choice is easy: for all Frenchmen to lose overnight, say, 20 per cent of their purchasing power, measured in D-Marks, Swiss francs, dollars, yen. In addition is the certainty of increasing inflation versus property losses by the banks.

Property losses by the banks will teach them that they should be more open to invest in the risky business of industry rather than in what they have imagined so far to be the no risk property market. Low inflation is guaranteed to lead to industrial investment, competitiveness, and increasing employment, with admittedly an unpredictable time lag. Devaluation is guaranteed to lead to inflation, wealth reduction and, at best, short-term competitive gain. The choice is easy. Long-term wealth!

Furthermore, few things are as damaging to an exporting manufacturer as that his export profits can disappear overnight through currency fluctuations. Almost nothing will do more to facilitate trade than fixed exchange rates. Whether the French will succeed to maintain the parity between the D-Mark is a gamble, but is probably one of the best bets France can make - for France and for Europe including Britain. Laurens van den Muyzenberg, MMC Management Consultants, 1 Queens Terrace, Windsor SL4 2AR

Aggrieved at support by finance directors of ACT changes

From Mr Fabian Finlay.

Sir, The chancellor has been given an excuse to bring back a surcharge on dividend income in the guise of his Budget changes to the advance corporation tax regime by a small group of self-serving finance directors who have campaigned for changes in the ACT system. These directors, in complaining about surplus advance corporation tax, have put their own interests in building a larger power base ahead of their shareholders' interests. They fail to recognise that any cost so incurred by

the company has always been a credit to the shareholder. Due to their campaigning, that situation has ended and the chancellor is taking the opportunity to raise substantial additional amounts of taxation from corporate shareholders.

I hope that the pension funds most aggrieved by this development will exercise their substantial muscle in voting against the reappointment of any finance director who has been a party to this campaign. Fabian J A Finlay, 9 North Audley Street, London W1Y 1WF

Age no barrier to pensions

From Mr M H Upson.

Sir, Contrary to Alan Smallbone's assertion (Letter, March 26) that pension costs act against the employment prospects of the mature I would suggest he re-investigates. The modern pension package is the increasingly popular "money purchase" scheme. It is popular because cost-conscious employers see this as an accurate means of controlling and forecasting payroll costs, regardless of the age or turnover of their employees. Furthermore, many of these types of scheme are not tied to any statutory retirement age. When my grandchildren eventually arrive I know that their first question will be: "What was an actuary, Dad?" M H Upson, 52 Overstone Road, Harpenden, Herts AL5 5PJ

Encouraging clean power

From Mr John Griffiths.

Sir, Is the chancellor's budget proposal to apply a hydrocarbon fuel duty on orimulsion intended to encourage the building of integrated gasification combined cycle (IGCC) clean power plants in the UK? Orimulsion is not burnt as a fuel in an IGCC power station. Orimulsion feedstock is gasified and sulphur and other contaminants removed from the raw gas. The resulting clean fuel gas fed to the electricity generating section (the combined cycle) is both sulphur and hydrocarbon free and could not be liable for the new tax. Steam and hydrogen for nearby refineries are possible co-products. Coal is an alternative feedstock for such a plant. John Griffiths, Nykomb Synergetics, 34 Lower Belgrave Street, London SW1

Kenya has taken the prudent, safe step

From Mr M Ngali.

Sir, Your editorial "Kenya's crisis" (March 24) fails to see the abyss into which Kenya is going into as a result of the latest reforms which were unaccompanied by the necessary and promised balance of payments support. The only prudent, practical and safe step was the reverse one taken which, contrary to your belief, was motivated by the national interests of Kenya.

I believe the western governments and institutions endorsed the results of the Kenyan general elections in December 1992 in principle because they represented the will of the people, not because they foresaw a puppet. There should therefore be no bitterness against the person of the president, as is apparent in your editorial, or a suggestion for an externally supervised general election.

Developing countries, with or without reforms backed by the International Monetary Fund, have for many years been struggling with the deteriorating terms of trade, inflation, unemployment, poverty and unfavourable exchange rates. IMF reforms are therefore not the cure-all prescriptions they are made to appear. Kenya went the extra mile while the other side baulked on its part of the agreement. No attempt should therefore be made to shift the blame from where it is due. M Ngali, Acting High Commissioner, Kenya High Commission, 45 Portland Place, London, W1N 4AS

Estonia citizenship laws do not discriminate against minorities

From Mr Kullo Vende.

Sir, Your leader ("Russia's backyard", March 2) seems to have fallen victim to the still powerful Russian propaganda machine. The latter's regular allegations about the so-called "discrimination against Russian minorities in Latvia and Estonia" (a case being Mr Malakhov's letter to you, "Alligation contradicts reality", March 19) have been misleading many political analysts in the world. What some Russian hard-line politicians call discrimination in these republics is nothing but denial of voting franchise to non-citizens and denial of automatic citizenship to former occupants and colonists, and to other illegal immigrants. If those people apply for citizenship in Estonia and pledge to be loyal to the coun-

try - also manifesting their loyalty by learning the country's language - they will be admitted to citizenship after a short naturalisation period of two years before, and one year after, submitting the application.

Our citizenship law has been described as one of the mildest of its kind. All human rights are granted to all residents of Estonia and respected to the full. This has been confirmed by several international inspecting missions, including ones from the Council of Europe and the CSCE. It happened to be in England on your election day last April 9, and I did not in the least feel discriminated against when I was not offered the vote. Had I had such an interest, would your country have acknowl-

edged it?

Perhaps, for one person, you would. But could you imagine this situation: the UK was occupied by another power in the second world war and remained occupied for over 50 years, during which period 36m people were sent by that power to colonise and rule Britain (this figure roughly corresponds to the proportion of illegal aliens in Estonia); last April you were able to hold your first free election since the war, although the troops of the occupying power were still stationed in your country. Would you still have been eager to acknowledge the interest of those millions of aliens, backed by the occupying power, to go to the polls with you?

What you describe as a flash-

point is actually wishful thinking on the part of Russia's hardliners whose propaganda aims at preparing the world in case an opportunity opens to re-annex the Baltic states. Otherwise, there is no national strife in Estonia. Of course, there are Russian-speaking people here who rage against the loss of their former privileges as a ruling nation. They, however, would not yet even dream of becoming citizens of Estonia, as long as they are encouraged to dream of the restoration of the Soviet Union. The acknowledgement of the discrimination against them is one kind of such encouragement.

Kullo Vende, Sunrise tee 16-38, Tallinn, Estonia EE0034

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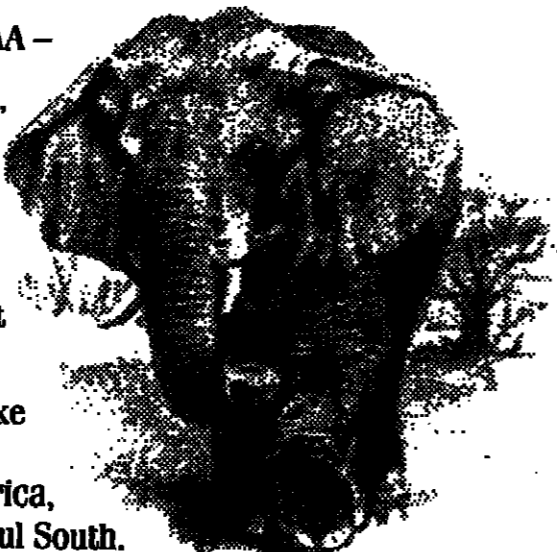
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Tangled nets in Europe

THE NEW French government will quickly have to bring France's unruly fishermen to heel. International disputes, particularly between neighbours, cannot be solved by such unacceptable behaviour as the seizure of ships and the abduction of naval officers. The malaise of the European fishing industry is much wider than the French fishermen seem to realise. The target of their wrath, cheap imports not only from the US but particularly from Russia, coupled with demands to ban trade, is misplaced.

The underlying problem is that too many fishermen are chasing too few fish. This structural problem has merely been exposed by the recent collapse in fish prices, more the result of the recession than Russian imports. Banning imports would both harm EC consumers, 30 per cent of whose fish comes from outside the Community, and divert attention from the underlying problem.

The industry's plight is largely the result of advances in technology. Fishing has become an industrialised business, using electronic gadgetry, powerful motors and giant nets. These allow whole schools of fish to be targeted and then scooped out of the sea.

But governments have not been willing to face up to the impact such leaps in productivity have on the numbers of people who can be fruitfully employed in the industry. Instead, they have tried to put off the day of reckoning by handing out subsidies.

The result has not only been a waste of taxpayers' money but the dissipation of the sea's wealth through overfishing. The more intensively the sea is fished, the less fish can be caught because stocks cannot be replenished quickly enough. This is why North Sea stocks of cod and haddock fell by 83 per cent in the 20 years to 1980.

The EC is belatedly trying to stop the rot. It has agreed a four-year plan to cut the Community's fishing fleet by 8 per cent, by paying for some boats to be decommissioned and requiring others to be tied up in port for up to six months. While some action is better than none, the plan is woefully

Gilts galore

ON THE face of it, Wednesday's auction of \$20n of partly paid 20-year gilt-edged stock takes place against an increasingly favourable international and domestic monetary background. Yet there is a problem of credibility, and it is not confined to the dollar volume of gilts that has to be sold to fund a \$20bn public sector borrowing requirement in 1993-94.

Since sterling parted company with the exchange rate mechanism, the government has chosen to make an inflation target of 1 to 4 per cent the centrepiece of the new policy framework for its counter-inflationary strategy. Its aim is, to bring inflation to the lower end of this range by the end of the present parliament. That means that issuing long-dated gilts at a yield of 8 to 8.5 per cent could cost the taxpayer a minimum real interest rate of 4 to 4.5 per cent; and if the government is successful in bringing inflation down below 2 per cent, the potential real rate could reach 6 per cent. By historic standards such rates would be appallingly costly.

One obvious solution to the funding problem would be to raise larger sums at the short end of the market. Yet the authorities retain an aversion for funding at short

London's forum

IT IS easy to be gloomy about Britain's capital city. Long-term indicators of stress persist: rising crime, homelessness, deficient public transport and poor state schools are the most obvious. To them, the recession has added the echoing canyons of the property crash and a pervasive squalor.

The sunnier side of the street is that as the UK economy revives, London is more competitive. Lower office rents mean fewer corporate emigrants to the regions; the capital's long population slide has been arrested. It may be too much to hope for a revival of manufacturing, but London's service economy, in finance, telecommunications, air transport, tourism, culture, the media and other "knowledge" industries, has every chance to prosper.

One aim of London Forum, the government-initiated business-led body launched yesterday, is to draw attention to this more optimistic aspect. It will focus upon the twin tasks of attracting more visitors and more investment to London, working closely with London First, a business-led agency set up last year to think strategically about that which London Forum will promote.

Anyone with a stake in London will wish these two bodies well. If they can think clearly and express themselves effectively, they will deserve to influence policy.

What they cannot alter is the fact that London lacks a strategic tier of government, save that conducted behind closed doors in Whitehall. Although the government has raised the profile of its London policymaking, notably by installing a minister for London transport, the running of the capital's attempts to define and prioritise transport infrastructure plans, from the Channel Tunnel link to CrossRail, scarcely commends it as a model of effective, let alone open, governance.

The danger is that a government unwilling to think strategically itself is sponsoring one overlapping business-led agency after another, a route which can only lead to frustration and mutual recrimination. For example, if London Forum is to lead the way on inward investment, what is the role of London's nine Training and Enterprise Councils, which certainly think they have that role? But then, Tecs were the government's bright business "partnership" idea of distant 1989.

It is near midnight at the karaoke bar, and on an elevated stage girls are singing a discordant You Are My Sunshine. Meanwhile, the ladies of the night are brazenly plying their trade among visiting Hong Kong and Taiwanese businessmen.

Elsewhere in Asia, the scene might be unremarkable, but in the heart of Beijing it seems downright bizarre, especially since the discotheque occupies a site where, less than a decade ago, stood a drah, Soviet-style hotel whose doors would be closed by about 10pm.

Coming back to China after an absence of 10 years produces a sensation akin to what it might be like to be placed in a time capsule and jolted forward at tremendous speed. Many times, in the first days, this reporter had considerable difficulty reconciling some of what he was seeing and hearing with memories of the past.

Simple things made the most immediate impact, such as the view from the bedroom of the down-at-heel seventh-floor apartment which, as a family, we had vacated all those years ago, never expecting to return. But now, although the surroundings were familiar - perhaps too familiar - the outlook had changed.

Whereas, before, the vista was one of endless rows of anonymous workers' dormitories, in their place had sprouted modern, high-rise structures replete with blinking neon lights, including a particularly intrusive Samsung sign.

The main thoroughfare outside, which becomes Chang An (Heavenly Peace) Boulevard as it approaches the central Tiananmen Square to the west, is not, alas, nearly as peaceful as it used to be. One of the comforting sounds of the past - muffled honours of horses and donkeys dragging vegetable carts to market - has been replaced by the roar of trucks through the night.

Traffic, hardly intrusive all those years ago since there were few cars on the road, is catching up with the rest of the world. Traffic jams are now a fact of Beijing life, and are certain to become worse if the city is awarded the Olympic Games in 2000, necessitating a huge capital works programme.

Among a kaleidoscope of new developments, new impulses, new sensations, including a dramatic alteration to Beijing's physical appearance, it may be that the most profound - indeed revolutionary - change has been one of attitude among ordinary Chinese.

Put simply, the entrepreneurial energy of a big slice of mankind has been liberated. The grinding conformity, which prompted some writers insensitively to liken the Chinese to "blue ants", has gone, to be replaced by a diversity that should augur well for the future if people continue to be given reasonable freedom, to test the system's commercial limits.

An interesting sign of the times is the disappearance of the word *tongzhi*, or comrade, from everyday use. Ten years ago, it was a handy all-purpose way of addressing both males and females, but now it is resented, partly, one suspects, because of its odious associations with a politically repressive past.

Whatever happens, the freeing of one-fifth of the world's population from the burden of ideology and dogma, assuming that the new flexibility is irreversible, may well prove the most important development of the late 20th century, although it would be foolish to predict that all will go smoothly in China, or that further upheaval will be avoided.

In 1983, when I left Peking - this newspaper along with most others had not yet made the shift to Beijing - the Chinese were still wrestling with Mao Zedong's awkward legacy, with its emphasis on debilitating class struggle. At the same time, people hesitantly adopted the new battle hymn of paramount leader Deng Xiaoping and his reform-minded supporters embodied in the slogan: "Practice is the sole criterion of truth."

Ten years later, the flickering debate about Mao's contribution to the revolution - he was judged 70 per cent "good" and 30 per cent

Tony Walker returns to China after an absence of 10 years to witness an explosion of pent-up entrepreneurship

Hats off to the revolution



"bad" by former comrades - has all but been extinguished. And China has developed in ways that would have been unimaginable a decade ago, and were probably unthinkable in the bleak days after the 1989 massacre of pro-democracy activists in Tiananmen Square.

Not that one can avoid noticing ominous echoes of the past in some official attitudes, and in restrictions that continue to be placed on foreign reporters. Never mind that Beijing is awash with banners proclaiming that a "more open" city

always been an "otherworldliness" about the place, as if a visitor has joined Alice in an Oriental Wonderland. Thus, Beijing's elaborate Olympic Games bid has not been without its contrived and farcical moments.

While ideology plays a much less conspicuous role in Chinese people's lives, it remains an important prop for China's rulers who have spent much of the past decade groping for a new formula that would allow maximum economic flexibility and yet not be seen as an embarrassing repudiation of the past. Not until October last year at its 14th Congress did the Communist party finally adopt the Dengist formula - socialist market economy - to affix a formal seal of approval to China's move towards a market economy.

For China's reformers, and the diminutive Mr Deng in particular, it has been a long and frequently bumpy road since the reform phase began in earnest at the 11th Party Congress in October 1978, two years after Mao's death. A decade and a half later - a mere blip in China's history - arguments about Mr Deng's primacy have become redundant, and socialism has been given "Chinese characteristics" - to borrow the inventive Mr Deng's phrase.

All this marks a big leap from the bleak winter of 1979 when I arrived in Peking to find that the city's vast Tiananmen Square was still dominated by portraits of the four "wise men" - Marx, Engels, Lenin and Stalin; the all-important process of officially demystifying Mao had barely begun; the scars of the Cultural Revolution had far from

healed; the Mao-appointed acolyte, Hua Guofeng, was still nominally in charge; and the late Chairman's wife and three of her cohorts were awaiting trial for alleged "crimes" committed during the 10 years of madness to 1976.

What was under way in the spring of 1980, however, were the first, faltering steps towards the creation of a market economy; and this had begun, appropriately enough, among the peasants in Mr Deng's own province, Sichuan, then under control of Zhao Ziyang, who was

A sign of the times is the disappearance of the word 'tongzhi', or comrade, from everyday use because it is now resented

The government cannot contain the information virus. Satellites have put people in touch with developments outside

awaits nomination for the 2000 Olympics.

A recent article in an official magazine by the head of the State Bureau of Secrecy - yes, such a body does exist - urging an overhaul of "secrecy policy", did not argue, as might have been expected, for less secrecy but rather for increased vigilance now that China had been opened to the outside world. These regressive views indicate that, behind the glitter of economic reform and quite bewildering changes in some areas, old habits and attitudes die hard.

In one important respect the China of today is not so very different from the one I remember. Even at the grimmest moments, there has

later to become China's premier and party boss before his fall in 1988 at the time of the Tiananmen Square massacre.

China's first "free markets", as they were called, attracted a trickle of foreign reporters who came to marvel at this new phenomenon, which involved a fairly daring repudiation of Maoist strictures against commerce - although it is doubtful that any of us appreciated the significance of what we were seeing then, or could have foreseen the consequences.

Not much more than a decade later, the streets of Chinese cities, towns and hamlets resemble one big "free market", and along with this explosion of pent-up entrepre-

Protective practitioners

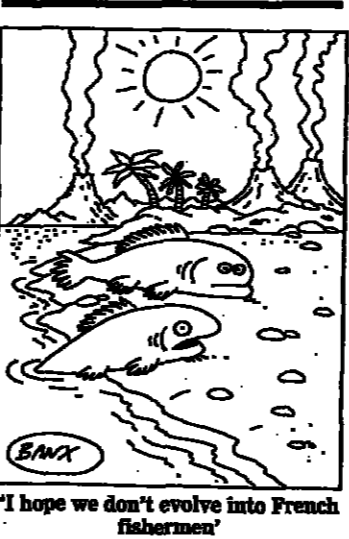
First the good news. The future of world trade is largely in the hands of two men of identical age, ethnic and professional background. Sir Leon Brittan, the EC trade commissioner, and Mickey Kantor, the US trade representative, are both 53-year-old lawyers of Lithuanian Jewish origin.

The bad news is that since their ancestors emigrated from Lithuania, much has happened to transform the pair into very different people: one a baseball-loving social campaigner on the left of the Clinton administration; the other a one-time acolyte of Margaret Thatcher with a taste for tracing country walks.

Quizzed on their roots after yesterday's tense Brussels trade talks, Sir Leon was cautious about the similarities. "I don't know how much [of the Lithuanian background] has rubbed off on the way, via Tennessee and north London," he said.

Certainly Kantor has acquired, via Tennessee, a mischievous sense of humour. Asked whether he considered Kantor to be a protectionist, Sir Leon replied diplomatically that the US trade representative was obviously "extremely good at protecting US interests and I hope I'm equally good at protecting Community interests".

OBSERVER



I hope we don't evolve into French fishermen

Mort Zuckerman could yet live to regret sending the fax that could have destroyed Dunn's career.

Banking mad

Have British banks gone completely mad? First, traditional firms like Barclays and Lloyds drop the apostrophe in their family titles, then they abandon trusted brand names such as Martins and Williams and Glyns by merging with each other. Now they are trying to make new services sound exciting by giving them American-sounding names.

Take telephone banking. Midland has Firstdirect and National

Westminster has PrimeLine. Both names have a US touch, a combination of eccentric use of capital letters, and the running of two words together. Now Bank of Scotland, of all places, has re-named its direct banking operations Centrebank.

Admittedly, Central Banking Services, its old name, doesn't have a snappy ring. But if they must sound American, why not just call it Centerbank?

Royal chair

If Coutts & Co, royal bankers for centuries, had changed chairmen last year it might have detracted from the firm's tercentenary celebrations. However, Sir Ewen Fergusson, Britain's former ambassador in Paris, has now been lined up for the most diplomatic job in banking - looking after the accounts of the British establishment.

Sir Ewen, who takes over from Sir David Money-Coutts in September, is not an Old Etonian - but he is a Scot and comes with glowing references. His job is not as easy as it might sound. Despite its great name and connections, Coutts has not been firing on all cylinders. The UK end of the business lost money in 1991 and although it is back in the black it could do better.

NetWest, Coutts' clearing bank parent, has been surprisingly reluctant to interfere. However, it did not rule out a takeover by

neurship has come a colossal improvement in the range and quality of produce.

In the Beijing of the early 1980s bananas were a scarce commodity and, during the long, cruel winters, about the only green vegetable available - if it could be described as green - was Chinese cabbage. Now, a respectable range of fruit and vegetables is sold on the streets... at a price.

Beijing's street vendors have shown no lack of enthusiasm for Mr Deng's dictum that to "get rich is glorious". Nor have countless other Chinese who have been leaving their farms for work in township enterprises, or who have vacated steady jobs in the bureaucracy or state industry for the private sector: what the Chinese, with their penchant for allegorical phrases, call *xia hai*, literally put out to sea.

China's leaders in the post-Tiananmen Square period appear to have succeeded in quietening the time being the restless generated by the slaughter of the pro-democracy activists. They have done this partly by repression, but perhaps more effectively by diverting people's energies towards the national money-making obsession.

Chinese television, which has undergone a revolution in presentation and in choice of programmes - without trespassing on the party line politically - is also playing its part in numbing the populace, as a young Chinese acquaintance put it. It now serves up a steady fare of wildly popular Hong Kong and Taiwanese soap operas; not to mention the old standard, *Dynasty*, which was meant to portray American life as corrupt and venal, but whose leading characters probably provide a model for the new Chinese entrepreneurs, lauded in the official press.

For me, the intervening years have brought one pleasing development. Contacts with China have been made much easier; although again circumstances are far from ideal. Back in the early 1980s meetings with those few activists prepared to acknowledge that they might have dissident views were extremely risky for the individuals concerned, and would involve furtive encounters in odd places, such as the zoo.

Among the many changes that have overtaken China in the past decade, undoubtedly the one that will have the biggest long-term impact, is the communications revolution. Satellites have put millions of Chinese in touch with developments outside, and no matter how hard the government might strive to contain the information virus, the authorities are fighting a losing battle.

One positive development has been the explosion in the number and variety of new local publications, plus signs that Chinese reporters are being given relatively more freedom to probe and to report; not that restrictions on political coverage are at all satisfactory from a western standpoint.

At a practical level, too, life has been made much easier for foreign reporters. Vast improvements in communications have simplified the task. In 1983, there was no international direct-dial phone system. Calls booked through an overloaded exchange would sometimes take hours to come through and, when they did, the other party was often heavily audible. Now there are IDD calls, packet switching arrangements and computer links.

Satellite television has also made Beijing seem much less isolated. The contrast could not be greater with the early 1980s, when even BBC World Service Radio was difficult to pick up at times, owing to heavy static.

One's first impressions of China after a long absence may not be definitive. But there is no doubt that forces are at work that represent something out of the ordinary. It has become a historical cliché, but the Chinese revolution of 1949 did "shake the world". It is entirely possible that the new economic revolution will do the same.

Smart cards

Have you got Mr Figures, the treasury mandarin? No, but I have got Mr Trend, Mr Forecast and Mr Fudge.

Veterans of Whitehall in the 1950s and 1960s fondly remember the days when they could play Happy Families. Sir Frank Figures, second permanent secretary to the treasury in the late 1960s headed the pack. Completing the numerically-inclined family were Kenneth Forecast, director of statistics at the board of trade from 1959-66, and Burke St John Trend. Last, but not least, was Edward Fudge listed in Who Was Who as undersecretary at the ministry of fuel in 1947. Contemporaries, however, remember him at the treasury; when he was known as Fudge, he used to bark "Fudge" into the mouthpiece. Wouldn't sound too out of place today.

Plane sailing

Why has President Clinton ordered the marines to remove the zips from their trousers? Because he wanted to establish a no fly zone.

INTERNATIONAL COMPANIES AND FINANCE

Benetton beats consumer downturn with 12.1% rise

By Haig Simonian in Milan

BENETTON, Italy's best-known maker of casual clothes, raised net profits by 12.1 per cent to L184.7bn (\$118.8m) last year in spite of the general slowdown in worldwide consumer spending.

The company, which saw group sales climb by 9.1 per cent to L2,512bn, indicated its confidence in the future with a L50-a-share dividend increase to L350. Operating earnings jumped by 14.4 per cent to L396.6bn.

Mr Luciano Benetton, managing director, has admitted that 1993 could be a more difficult year in view of recession in many markets.

But he has expressed confidence that sales should continue to rise strongly, with exports likely to be boosted by the steep fall in the value of the lira.

Among the few jarring points in the results was a L154bn surge in group net debts to L325bn.

Benetton said the increase stemmed from the purchase last year of four local apparel makers with which it worked closely and whose borrowings had not been consolidated.

Adjusted for the acquisitions, group net debt would have remained unchanged, Benetton said.

In spite of the recession, Benetton managed to find particular pockets of

growth in individual areas. For the third year running, the Sisley brand grew strongly, with a 24 per cent leap in sales.

SAB, Benetton's socks and accessories subsidiary, virtually doubled sales to L86.3bn from L51.8bn in 1991.

Among other areas now being exploited are shoes and shirts. In recent months, Benetton has started to create a new chain of stores, named "and", specialising in shirts.

The goods sold are produced by Azimut, a newly formed manufacturer created from the merger of two private companies in which Benetton has a 50 per cent stake. The "and" chain now has about 50 shops in Italy and abroad.

Italian textiles group in cash search

By Haig Simonian

GFT, Italy's biggest privately-owned textiles and clothing group, is looking for a partner to help inject cash into its troubled operations.

Although Turin-based GFT, which is owned by the Rivetti family, admitted it was ready to accept the sale of a significant stake to an outside shareholder, reports of advanced negotiations with Miroglio, a leading privately-owned textiles and clothing group, were without foundation, it said.

A takeover of GFT, which had sales of about L1,500bn (\$949m) last year, by the slightly smaller Miroglio would create Italy's third-biggest textiles and clothing concern behind Benetton and Marzotto, with turnover of about L2,700bn.

GFT has grown rapidly through acquisitions and supply agreements with some of Italy's best-known designers. However, earnings have come under pressure due to high domestic costs and heavy interest charges on net debt of about L400bn. In 1991, the group lost L42.6bn, a figure unlikely to have been bettered in 1992.

GFT denied reports that it had failed to find a financial institution to take a minority holding, forcing it to give up control to Miroglio. "The search for a partner is under way, and many alternatives are being considered," it said.

Merloni Elettrodomestici, the Italian white goods group best known for its Ariston, Indesit and Scholtes brands, has become the most conspicuous Italian victim of last year's currency turmoil with a L21bn foreign exchange loss.

Currency factors and a L8bn charge for redundancies and early retirements led to a collapse in group net profits to L1.6bn last year from L11.7bn in 1991.

The fall in earnings has prompted a sharp dividend cut, with the payout for ordinary shares being reduced to L20 from L45 and that on savings stock falling to L50 from L65.

Banks look for warmer climes

Tom Burns examines Deutsche Bank's latest foray into Spain

WHEN Deutsche Bank paid Pta42bn (\$359.9m) to acquire a Spanish bank unit earlier this month, eyebrows were raised in the boardrooms of at least four of the German bank's European rivals.

France's Crédit Lyonnais, previously the biggest foreign retail bank in Spain, saw itself overtaken. Barclays and NatWest of the UK found their growth strategy in Spain challenged, and Banque Nationale de Paris (BNP) was left at the starting post.

Deutsche is no newcomer to Spain, for it enjoyed a long relationship with Banco Comercial Transatlántico (Banco-trans), a Barcelona-based bank which it bought in 1989.

Following its purchase of Banco de Madrid from Banesto, the big Spanish retail bank, it has added 300 branches to the existing 100 Bancotrans offices.

Analysts have praised the pricing - Banesto reportedly wanted Pta60bn for the unit - and the complementary nature of the two acquisitions. Deutsche was already strong in the north-east thanks to Bancotrans. Deutsche has now secured its presence in Madrid and in central Spain with the second purchase.

The German bank has followed the path into Spain initiated by Crédit Lyonnais when it bought a Madrid network and then a Barcelona network from Banco de Santander in 1990 and in 1991.

Deutsche, like the French bank, has essentially bought a market quota, but there the similarities between the strategies end.

A key difference is the timing. By spacing its acquisitions out over four years, Deutsche has given itself time to develop a complex information system and specialist products such as mortgages and car loans that were novel to Spain. Analysts said Crédit Lyonnais's rapid acquisition policy had still to deliver a distinctive profile for the bank in Spain.

The cost of entering Spain provides a more measurable difference. Deutsche paid 2.1 times book value to acquire Bancotrans and 2.3 times to buy Banco de Madrid. Crédit Lyonnais paid Santander 3.1 times book value for Banco Comercial in 1990 and 3.3 times a year later for Banca Jover.

"The French paid demanding multiples," said Mr Joaquin Tamames, a partner of Axel Group, the Madrid-based analysts.

The main irony is that Deutsche has ended up with 100 branches more than Crédit Lyonnais. With the 400 offices in Spain, the German bank has

a sufficient spread to promote its products.

In contrast, NatWest entered Spain at the beginning of the 1990s by building up a business base through a joint venture with Spain's March group, while Barclays bought a small, and bankrupt, domestic bank which it then expanded.

Like Deutsche, NatWest, which subsequently severed its March partnership, wants to introduce products.

NatWest, with just over 200 branches has profitable assets. "But the question is where do we go from here," said Mr Peter Duffy, managing director.

NatWest will probably focus on financial instruments such as syndicated loans. While unlikely to follow the acquisition strategy of Deutsche and Crédit Lyonnais, it may still purchase individual offices. "What is critical is not how many branches you have but where they are," said Mr Duffy.

Barclays, which has 228 outlets, has relentlessly pursued the step-by-step strategy. But it has proved an expensive route. Spain is an over-banked country with more bank branches per head of population than anywhere else in Europe outside Luxembourg.

Nevertheless, Barclays has earned itself the compensation of choosing its locations and of selecting and training its staff. Its products, notably the introduction of high-interest-bearing current accounts, have been the most innovative in the domestic banking sector.

Deutsche will require up to eight years to mould its newly acquired staff into Deutsche's specific corporate culture and to have its employees extract optimum benefits from its in-house technology.

BNP, which also bought a small unit in Spain in the 1980s, has meanwhile shrunk back from an opportunity to establish a Spanish presence similar to Crédit Lyonnais. Earlier this month, it pulled out of lengthy negotiations to acquire the 166-branch network of Banco de Fomento, a nationwide subsidiary of Banco Central Hispano (BCH).

The reasons for BNP's withdrawal were never explained, but it is understood the state-owned bank was unwilling to commit itself to such a large investment in advance of the legislative elections in France.

Banco de Fomento thus remains on the market for those to follow in Deutsche's slip stream. The problem is whether there is much margin left for large banking forays into Spain.

Former OCP chief may appeal

By Paul Abrahams

MR Jean-Pierre Duché, the former president of Office Commercial Pharmaceutique, France's largest medicines wholesaler, is considering appealing against the conduct of the annual meeting last Friday when he was ousted from office.

Mr Duché, who was voted out of office during a six-hour meeting, had supported a FFr2.12bn (\$378.6m) friendly takeover by Gehe, Germany's largest wholesaler. Mr Duché has been replaced by Mr Pierre Bourély.

Mr Bourély, whose family owns 15 per cent of the OCP,

has opposed the Gehe offer and is attempting to put together a French counter-bid. The departure of Mr Duché will allow Mr Bourély to declare the German bid hostile. He claims the FFr600 a share offer is too low.

During Friday's turbulent meeting, a number of shareholders were disqualified for not registering their votes in time. In addition, the Bourély family had undertaken not to present a motion for the removal of Mr Duché.

Fidelity, the US investment group which owns 9.79 per cent of OCP, decided not to abstain at the last moment and voted against Mr Duché. In the key

vote, Mr Duché gained 861,000 votes, while there were 1,064,000 against him.

Mr Duché, OCP's president for 15 years, continues to be a member of the boards of two holding companies, SGP and Eurosanté.

These control OCP France Répartition and OCP Europe, two OCP subsidiaries responsible for 90 per cent of its FFr33bn turnover.

Meanwhile, Mr Bourély, together with Paribas, the Paris-based merchant bank, has until the middle of April to put together a counter-bid for OCP. The consortium is attempting to raise between FFr1.5bn and FFr2.5bn.

Parmalat improves 24% to L52bn

By Haig Simonian

PARMALAT, the Italian milk and dairy foods company, raised net group profits by almost 24 per cent to L52bn (\$32.5m) last year, due partly to a 23 per cent rise in sales to L1,636bn.

Mr Calisto Tanzi, chairman, said sales should reach about L2,800bn this year, due to further acquisitions in Italy, the US and South America.

Acquisitions this year include a stake in Giglio, an

Italian dairy group with sales of about L400bn; Atlanta Dairy, a US dairy products concern with about L100bn in turnover; Lacasa, a dairy products group; and the associated Sodilac company in Brazil, with sales of about \$80m.

Mr Tanzi denied Parmalat planned an imminent rights issue to finance further purchases.

"For the time being, our ratios are alright as they are. But if interesting opportunities arise, then we'll have to see,"

he said. He confirmed Parmalat's interest in buying the Cirio, Bertolli, De Rica, subsidiary of the state-owned SME foods group now being privatised.

At parent company level, Parmalat Finanziaria, reported a slight drop in net profits to L9.1bn against from L9.5bn in 1991.

In spite of the fall, stemming from a doubling in taxation, the dividend for ordinary shares is being raised by L5 to L120.

Courtaulds to remove £83m pensions surplus

By Norma Cohen, Investments Correspondent

COURTAULDS, the specialty materials company, said yesterday that it would remove £83m in surplus from its employee pension scheme, earning it an after-tax gain of £50m for the year to March 31.

The move follows an actuarial valuation as of March 31 1992, showing that the pension fund surplus had increased to £189m and that assets were 124 per cent greater than the scheme's liabilities. Pension schemes are liable to tax on surpluses greater than 105 per cent of liabilities.

The company will also use £47m of the surplus to improve benefits to members. The remainder of the surplus will stay in the scheme and fund a continuation of Courtaulds' contributions holiday for the next year.

Mr Michael Pragnell, finance director, said the company had taken the unusual step of extracting the surplus in cash, rather than reducing it through contributions holidays, because the surplus was so large relative to liabilities.

He said they had reached the point "where there were a limited number of things we could have done with our surplus".

Inchcape acquisitions help 28% profits gain

By Andrew Bolger in London

ACQUISITIONS and strong organic growth helped Inchcape, the UK-based motor and business services group, increase annual pre-tax profits by 28 per cent to £250m (\$372.75m).

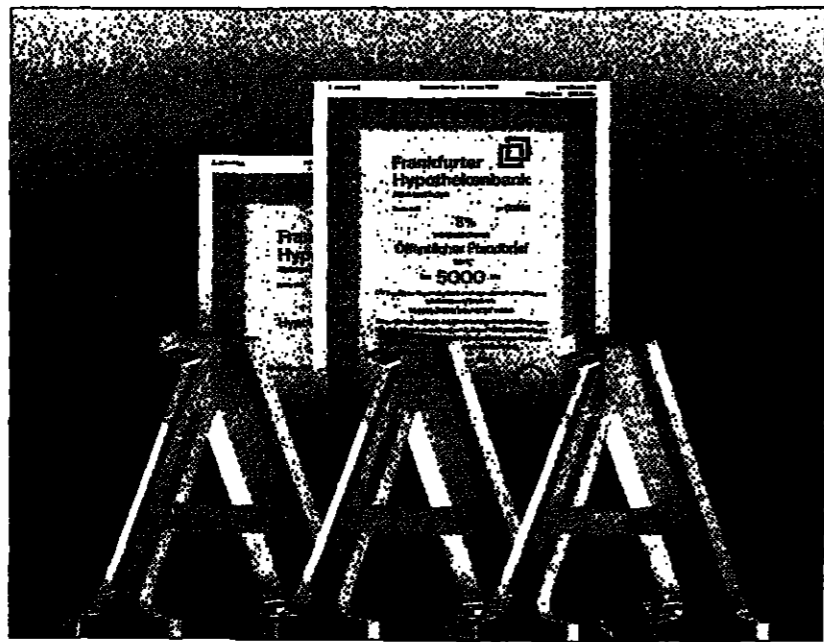
Sales rose 39 per cent to £6.04bn in the year to December 31, boosted by a 10-month contribution from Toner Kemsley and Millhouse, the motor trader it bought for £383m.

Although TCM contributed £48.3m to total operating profits of £283m, Inchcape said its underlying businesses showed organic profits growth of 10 per cent.

Sir David Plastow, chairman, said: "Generally around the world the economic environment in 1992 was tough, but despite this the group was able to produce good results. Many of Inchcape's businesses are in those economies which have grown well during the year, while in weaker markets most of our operations have still managed to succeed."

Earnings per share rose 3.7 per cent to 31p from 29.9p. Sir David said government Budget changes in advance corporation tax had contributed to the decision to raise the final dividend to 8.35p from 7p, giving a total of 13.75p against 11.75p. *Lex, Page 22*

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FINANCIAL TIMES MAGAZINES

INTERNATIONAL COMPANIES AND FINANCE

AP Moller to take over rival's shipping business

By Hilary Barnes in Copenhagen

AP MOLLER, the Danish shipping and oil group, yesterday agreed to take over the shipping operations of the East Asiatic Company, a long-term rival in liner shipping and one of the oldest Danish shipping companies.

AP Moller will acquire nine large container-carrying liner vessels, which will continue in service, said AFM.

EAC suffered a group loss of DKK1.18bn (\$188m) in 1992, when its equity capital was cut to DKK2.5bn, only 17.4 per cent of assets. Turnover last year was DKK17.3bn, much of it from extensive trading operations in eastern Asia.

The sale price was not released, but EAC said the agreement would result in a very considerable strengthening of EAC's cash position and an appreciable reduction in its debt.

The group began a programme of disposals last

year in order to strengthen its financial position, including the sale of the Plunrose food processing operations in the UK, Germany and the US.

But the sale of the shipping operations was forced on it when negotiations with American President Lines for a partnership in EAC's Europe-Far East liner shipping operations fell through last week. The service was operated jointly by EAC and the UK's Ben Line until the middle of 1992, when Ben pulled out.

APM already operates a fleet of over 50 liner vessels and its stock of containers is over 150,000 units. In addition to a liner service between Europe and the Far East, EAC has operated a liner service between Australia and the Far East and inter-Asian liner services.

Although Moller has said it will try to offer jobs to officers on board EAC ships, EAC said that relatively few of the group's 1,300 shipping staff could expect to be offered employment by Moller.

Inco plans \$20m charge to restructure alloys unit

By Bernard Simon in Toronto

INGO, the western world's largest nickel producer, will charge US\$20m against first-quarter earnings to cover the costs of restructuring its troubled alloys business. The after-tax charge will be about \$13m.

The alloys unit, known as Inco Alloys International, has been hit hard by weakening demand, especially from aerospace and defence-related industries, and by increasingly fierce competition.

About 60 companies are vying for market share.

Inco's alloys and engineered products division lost \$29m last year on sales of \$577m. Alloys account for about half the division's business. More than one-third of the loss was incurred

in the fourth quarter, and sales for the year fell 48 per cent.

The reorganisation includes cutting the workforce by 340 people, or by 12 per cent. Inco said the cost of retirement and severance packages would make up about half of the first-quarter write-off. Production and marketing functions would also be streamlined.

IAI has production facilities in Huntington, West Virginia, and Hereford, England. It is one of the world's largest producers of high-nickel alloys, which are used by, among others, the aerospace, chemical processing, pollution control and energy industries.

Inco is also trying to find markets for new nickel-based materials and titanium products.

Microsoft launches upgraded PC system

By Louise Kehoe in San Francisco

MICROSOFT today launches a new version of MS-DOS, the operating system program used by an estimated 130m personal computer users.

The success of MS-DOS, which controls the basic functions of PCs based on Intel microprocessors, has made Microsoft the world's largest PC software supplier.

Mr Bill Gates, the US company's founder and chairman, will formally introduce MS-DOS Version 6 in San Francisco at an event to be broadcast to PC users throughout the US.

Over 400 PC manufacturers will begin shipping computers loaded with the new software this week, Microsoft said. Computer users may switch to Dos 6 by purchasing a \$50 upgrade program. Microsoft is said to be planning a \$7m publicity campaign.

Analysts estimate that about 6 per cent of PC users will upgrade to MS-DOS 6, generating revenues of \$300m for Microsoft, including up to \$20m in pre-launch shipments and \$100m in its fourth fiscal quarter ending June 30.

MS-DOS 6 incorporates several functions that are sold separately in programs offered by Microsoft competitors. For example, it offers data compression, which nearly doubles the amount of information that can be stored on computer disks, along with better memory management, data backup, and protection from computer viruses and accidental erasure of data.

The introduction of MS-DOS 6 poses a challenge to companies such as Symantec and Central Point Software that offer add-on utility programs providing similar functions. As more utilities are built into the operating system, suppliers of competing stand-alone products will be able to charge less for their software, analysts said.

The US retail price for MS-DOS 6 will be \$49.95 to May 31 and \$29.95 thereafter.

Personal care marriage sharpens competition

Guy de Jonquieres reports on Wilkinson Sword's move into Warner-Lambert's arms

WILKINSON SWORD, the five-time world champion of the Gillette razor, is about to start a new life in the arms of an American suitor.

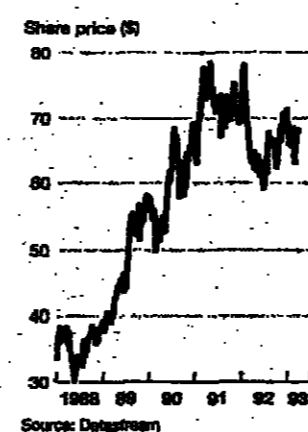
Last week's \$142m sale of the company to Warner-Lambert, the US pharmaceuticals and consumer products manufacturer, offers Wilkinson the prospect of financial stability and industrial support which it has badly lacked in the latter chapters of its 200-year history.

The deal also ends a bizarre anomaly whereby Gillette of the US, Wilkinson's biggest competitor in the \$3.5bn world wet shaving market, was a large shareholder in and creditor of Rembrandt, Wilkinson's parent company. The arrangement has market shares of 15 per cent and 30 per cent, respectively.

In an effort to strengthen Schick's presence outside the US, Warner-Lambert last year reorganised its international operations into a worldwide group. The main aim was to provide a more coherent thrust for a business which had long been fragmented along national lines.

In Europe, Schick's priority region for expansion, the Wilkinson acquisition brings a business with sales last year of

Warner-Lambert

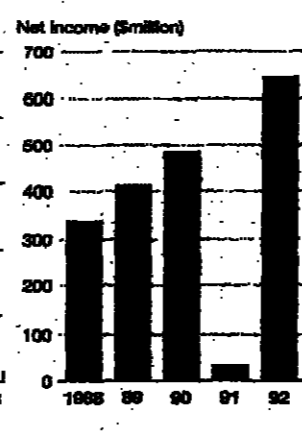


although it has five times the sales of its bigger rival in Japan, where it is market leader.

Elsewhere, Schick's sales are mainly in France and Sweden, where it has market shares of 15 per cent and 30 per cent, respectively.

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In Europe, Schick's priority region for expansion, the Wilkinson acquisition brings a business with sales last year of



\$190m, plants in Britain and Germany, a development centre and an innovative product, the Protector system razor launched a year ago. Wilkinson also has a small ceremonial sword factory in west London.

But Wilkinson's most valuable asset is its sales and distribution channels, particularly in the UK and Germany, where it does more than half its business. These will widen Schick's access to the big supermarket chains which account for a growing share of razor and blade sales.

Mr Morgan Morton, president of Schick Worldwide, says he plans to continue to sell both Wilkinson's Protector and Schick's FX razor system in

Europe and to launch both products in new markets. He also expects to expand European sales of Warner-Lambert products, such as Listerine mouthwash, and over-the-counter markets.

"We now have the opportunity to achieve a pan-European presence," Mr Morton says. However, he insists Schick is not seeking a showdown with Gillette, preferring to pursue a selective niche strategy: "I don't think we are looking significantly to change Gillette's market share in Europe."

He expects Wilkinson, which made a small profit last year, to be able to finance its own growth. The company recently expanded by 50 per cent production of the Protector, which has proven more popular than expected, particularly in Germany.

In any event, new ownership will free Wilkinson of the crippling financial problems and internal disagreements which forced Rembrandt to put it up for sale last year, less than five years after buying it from Stora, the Swedish forest products group for \$Krdn (\$818m).

Stora acquired Wilkinson as a result of taking over Swedish Match, which had bought the business from Allegheny International, a US industrial conglomerate which had owned Wilkinson since 1980.

Emiland is owned by assorted investors, including a group of Scandinavian financial institutions and J.P. Mor-

gan, the US bank, as well as Gillette. The consortium was formed specifically to buy Wilkinson in one of the most highly leveraged buy-outs of the late 1980s.

Even after selling Wilkinson's matches and lighters business to pay off some of its borrowings, Rembrandt remained saddled with about \$300m of debt, which it was increasingly hard-pressed to service out of Wilkinson's slim profits. More than one-third of the debt was owed to Gillette in the form of a roll-up loan carrying an exceptionally high interest rate.

Emiland's fragile finances were strained to breaking point by the investment in Protector, which was developed without the knowledge of the Rembrandt board because Wilkinson was worried that Gillette would learn about the project. A further source of difficulty was the growing anti-trust pressure on Gillette to sever its involvement in Emiland.

Warner-Lambert has bought Wilkinson free of debt, at a price which leaves Emiland's shareholders with a loss of about \$200m on their investment. Most of it is expected to be borne by Scandinavian institutions, notably Copenhagen Handelsbank and the SPP and Skandia insurance companies, which have paid dearly for their short-lived adventure at the razor's edge.

Bobst net income slips 8.6% to SFr65m for year

By Ian Rodger in Zurich

BOBST, the Swiss packaging machinery group, saw consolidated net income fall 8.6 per cent last year to SFr65m (\$43m) on sales of SFr1.01bn, down 10.2 per cent.

The directors said there was an accelerated slowdown during the last months of the year, particularly in Europe.

They expect a recovery in 1993, particularly in the US, "but not sufficient to avoid a further slowdown of the overall activity this year."

The group has announced

plans to convert its participation shares into bearer shares and to split the registered and bearer shares on the basis of two for each one held.

Forbo, the Swiss floor and wall coverings group, has reported an 8 per cent slide in consolidated net income to SFr46.1m on sales up 1 per cent to SFr1.8m.

The group said the result was satisfactory in spite of the increasingly acute impact of recession, especially in Scandinavia, Britain and Switzerland.

Telebras back in the black

By Bill Hinchberger in Sao Paulo

TELEBRAS, Brazil's state-controlled telecommunications group, recovered to post consolidated profits of \$304.1m for 1992, against a loss of \$154.5m the previous year.

The preliminary results also show the parent holding company recorded \$652.9m profit, up from \$121.3m in 1991.

Telebras, with 25 operating companies, owns 84 per cent of all public exchanges in Brazil and 91 per cent of the nationwide network local lines.

BULGARIA

The FT proposes to publish this survey on May 5 1993

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FT SURVEYS

Notice of Redemption

BURLINGTON RESOURCES INC.

U.S.\$79,973,000

7% Exchangeable Subordinated Debentures due 2004

Exchangeable for Common Stock of Anadarko Petroleum Corporation

NOTICE IS HEREBY GIVEN that Burlington Resources Inc. ("Burlington Resources") will redeem on April 29, 1993 (the "Redemption Date") all of its outstanding 7% Exchangeable Subordinated Debentures due 2004 (the "Debentures"), pursuant to paragraph 5(a) of the Terms and Conditions of the Debentures, at 104.2% of their principal amount (the "Redemption Price") plus accrued interest to the Redemption Date.

The Debentures are exchangeable at the option of the holder for shares of common stock of Anadarko Petroleum Corporation ("Anadarko") at any time prior to the close of business on the Redemption Date. The exchange price is U.S.\$31.0725 per share of common stock of Anadarko (equivalent to an exchange ratio of 31.573 shares per U.S.\$1,000 principal amount of Debentures). The Debentures may be surrendered for exchange to any of the Exchange Agents at the addresses shown below, accompanied by a duly signed and completed notice of exchange, as provided in paragraph 6 of the Terms and Conditions of the Debentures.

In the event the holder elects not to exchange the Debentures prior to the close of business on the Redemption Date, the Debentures, together with all unaccrued interest coupons appertaining thereto, should be surrendered for redemption to any of the Paying Agents at the addresses shown below. Upon acceptance of such Debentures by a Paying Agent, the surrendering holders are entitled, at any time on or after the Redemption Date, to receive the Redemption Price therefor, together with the interest that will accrue on the Debentures in the amount of U.S.\$9.92 per U.S.\$1,000 principal amount for the period from March 9, 1993 to the Redemption Date. Unaccrued interest coupons due after the Redemption Date (whether or not attached) shall become void and no payment shall be made in respect thereof.

Fiscal Agent and Principal Paying Agent

Union Bank of Switzerland
Bahnhofstrasse 45
8001 Zurich

Paying and Exchange Agents

Union de Banques Suisses
(Luxembourg) S.A.
36-38 Grand Rue
L-2011 Luxembourg

Morgan Guaranty Trust
Company of New York
Avenue des Arts 35
B-1040 Brussels

Union Bank of Switzerland
100 Liverpool Street
London EC2M 2RH

Dated: 30 March, 1993



United Kingdom

U.S.\$4,000,000,000

Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 30th March, 1993 to 30th June, 1993, the Notes will bear interest at the rate of 3 1/4 per cent per annum. Coupon No.27 will therefore be payable on 30th June, 1993, at the rate of US\$3,913.13 per \$100,000 nominal of US\$78,262.60 from Notes of US\$10,000,000 nominal.

S.G. Warburg & Co. Ltd.

Agent Bank

NOTICE OF PREPAYMENT



Forsmarks Kraftgrupp Aktiebolag

ECU 40,000,000 1983-1998 Retractable Bonds

Unconditionally guaranteed as to payment of principal and interest by
The Kingdom of Sweden

In accordance with article 1 of the Company's Option of the Terms and Conditions of the Bonds, notice is hereby given that Forsmarks Kraftgrupp Aktiebolag will redeem all the Bonds remaining outstanding (i.e. ECU 40,000,000) at their principal amount on May 31, 1993.

Payment of interest due on May 31, 1993 and repayment of principal will be made in accordance with the Terms and Conditions of the Bonds.

Interest will cease to accrue on the Bonds as from May 31, 1993.

Luxembourg, March 30, 1993

The Fiscal Agent: **Kreditbank Luxembourg**

The Nippon Credit Bank

(Curaçao) Finance, N.V.

U.S. \$500,000,000

Subordinated Floating Rate

Guaranteed Notes 2000

In accordance with the terms and conditions of the Notes, notice is hereby given, that the interest rate for the Interest Period from 29th March, 1993 to 29th June, 1993 is 3.55% per annum. The Coupon Amount payable on the 29th June, 1993 in respect of each of U.S. \$10,000 in principal amount of each note is U.S. \$90.72.

Bankers Trust Company, London Agent Bank

NOTICE TO HOLDERS OF

£64,250,000

CARLTON COMMUNICATIONS PLC

7 1/2 per cent. Convertible Subordinated

Bonds due 2007

(the "Bonds")

NOTICE IS HEREBY GIVEN that, with effect from April 1, 1993 (the "Effective Date"), National Westminster Bank Plc ("NatWest") will act as Registrar for the Registered Bonds in place of Morgan Guaranty Trust Company of New York. As of the Effective Date, requests for the exchange of Registered Bonds for Registered Bonds for the exchange of Registered Bonds for Registered Bonds and the transfer of Registered Bonds pursuant to Conditions 5(a), 5(b) and 5(c) respectively of the Bonds, should be made to NatWest at the specified office listed below.

National Westminster Bank Plc
Registrars Department
PO Box 82 Cannon House
Redcliffe Way
Bristol BS59 7NH

CARLTON COMMUNICATIONS PLC

By: Morgan Guaranty Trust Company

as Trustee

Dated: March 30, 1993

SLIGOS

DIVIDEND UP 12.5 %

The Board of Directors, chaired by Mr Gérard BAUVIN, reported the following key financial results for 1992:

FF millions	1992	1991	Change
Consolidated revenues	3,944.1	3,211.3	+13.50 %
Consolidated net income	188.5	174.2	+8.80 %
Profitability	5.2 %	5.4 %	
Net income before minority interests	172.8	170.7	+1.25 %
Cash flow	376.2	372.6	+0.70 %

These definitive figures are in line with the estimates published by Sligos on March 1, 1993.

At the General Meeting, the Board will propose the distribution of a dividend amounting to FF 9.00 and carrying a tax credit of FF 4.50, i.e. totalling FF 13.50 per share (up 12.5 % from 1991).



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INTERNATIONAL COMPANIES AND FINANCE

Caution as Australian Alcan sees improvement

By Kevin Brown in Sydney

ALCAN Australia, a 73 per cent subsidiary of Alcan, the Canadian aluminium group, yesterday forecast a return to profit this year, following net losses of A\$15m (US\$10.8m) and A\$29m in the last two years.

However, Mr Jeremy Davis, chairman, told the annual meeting the result was unlikely to represent a satisfactory return to shareholders.

Mr Davis said the international environment was not promising, noting that aluminium prices had fallen to between US\$1,150 and US\$1,170 a tonne on the London Metal Exchange.

"Aluminium prices today are the lowest they have been in real terms for more than 20 years, and some 25 per cent below a moving average trend price for metal over that period," he said.

Mr Davis said the low price for aluminium reflected the continuing flow of metal from the former Soviet Union, and widespread reluctance to close even the world's highest-cost smelters.

He said there was no reason to expect any improvement in the current year because many of the higher-cost smelters were controlled by governments, which had motives other than profit for keeping them open.

Mr Davis said demand might increase in the US, but the group was not confident of an upturn in Japan and western Europe.

Strong recovery for Arabian Oil

ARABIAN OIL, Japan's biggest oil production company, posted a strong recovery in 1992 with a 390 per cent rise in net consolidated profits to ¥2,240m (\$19m) from ¥460,000 the year before, which was depressed by the Gulf war, AP-DJ reports from Tokyo.

Japanese watchdog aims to silence wagging tongues

Robert Thomson examines a commission's quest to clean up stock markets and restore confidence

BENEATH the flickering red lights of an electronic stock board showing Tokyo share prices edging higher, Mr Masami Ishizaka, the head of Japan's Securities and Exchange Surveillance Commission, had reason to be relaxed about his crusade to clean up the Japanese stock markets and restore investor confidence shaken by a flurry of scandals.

Established in the heat of scandal, the commission, however, has found it difficult to cultivate the image of an aggressive and independent watchdog. It still shares a building with the finance ministry and takes its staff on a rotation basis.

Mr Ishizaka, SESC secretary general, is mildly irritated by the often-expressed scepticism of Japanese business commentators, who have suggested the commission answers to a finance ministry which has restructured its close relationship with the securities industry.

"We are not at all controlled by the finance ministry," he says. "Each institution has its own responsibilities. The ministry issues licences to securities houses, but we are in charge of investigations. If we make a recommendation for



Masami Ishizaka: leading market clean-up campaign

action, something should be done about it."

The commission's 203 staff, also including ex-prosecutors and former tax investigators, like to compare themselves to the Fair Trade Commission, Japan's anti-monopoly body, which has become increasingly vigilant in the past three years, partly due to intense US pressure to clear away cartels.

With well-publicised raids on bid-rigging printing houses and price-fixing electronics companies, the FTC has at least

given industrial Japan cause for contemplation. It is still criticised by the US for not being tough enough, but has also been condemned by business organisations for its zeal.

The same cannot be said of the SESC, which has released details of only one investigation: a case against Cosmo Securities, a second-tier broker found to be guilty of *lobashi* - shuffling stocks around client accounts to avoid booking a loss.

Cosmo was told in December to suspend corporate business in Tokyo for a week, and to stop dealing in convertible bonds on its own account for four weeks.

Promising to be even more vigilant than the FTC, Mr Ishizaka explains the SESC's low profile by emphasising: "We are only getting started." He said comparisons with the US Securities and Exchange Commission (SEC) were not useful because of the different structure of the two financial systems. But he is confident his commission has put pressure on brokers to play by the rules.

"I think the securities houses see us as something that is quite frightening. We emphasise to them that we want to

'I think the securities houses see us as something that is quite frightening. We emphasise to them that we want to ensure that the prosperity of the industry is fair and just.'

ensure that the prosperity of the industry is fair and just."

Over the past two years, the industry has been forced to confess that some of its prosperity was not "fair and just". Leading brokers admitted to stock price manipulation, compensating favoured corporate clients, and links to one group of unsavoury investors, the *yakuzas*, or gangsters.

After the controversy and condemnation, Mr Ishizaka said the industry appeared to have learned from the mis-

takes and was attempting to reform its management. Despite the favourable comparison with the FTC, he says the commission is "willing to support this gradual change".

But the pressure for change has eased as Tokyo stock prices have risen over the past month. The SESC was commissioned when the Nikkei stock market average was languishing at around 16,000, and reassuring investors was a government priority. The SESC was to ensure that all were treated equally, and the bad habits of the "bubble" era of the late 1980s were reformed.

Yesterday, the Nikkei market average rose 1.4 per cent to 19,048.38, the highest close since last March 31, the end of the fiscal year, when financial institutions and industrial companies closed the books and calculated losses or gains on their stock portfolios.

Japanese brokers say the market has bottomed and the boisterous, bullish trading days have returned. Daily market turnover has topped 800m recently, four times that of February, and speculative stocks have returned to fashion.

Big turnover stocks yesterday included Nippon Housing

Loan, a crippled home loan institution now under reconstruction, and companies involved in Aids research such as Meiji Milk, a dairy products group. It remains unclear whether stocks have really turned the corner - the market was trading yesterday on a price/earnings ratio of 65.8 times.

The SESC was also formed amid severe criticism of the intimate relationship between the finance ministry and financial institutions. The ministry's lack of will to control undisciplined brokers and often obscure administrative guidance were cited as causes of the stock scandals.

Responding to the controversy, the ruling Liberal Democratic party decided the relationship, sometimes clouded by ministry officials' expectation of a future job in banking or broking, was in need of reform. Apart from investigation, the SESC was given the power to "propose policies" to keep financial markets fair.

Time has passed, and the debate has faded. Mr Ishizaka sees positive aspects in the traditionally close ties: "The finance ministry has various administrative functions, and it is useful that the ministry and the brokers are close."

Israel Discount ahead 53.6%

By Judy Maltz in Jerusalem

ISRAEL Discount Bank, the country's third-largest bank, yesterday reported a significant 53.6 per cent increase in net profits for 1992 to Shk145.4m (\$52.6m).

This sharp rise was attributed to a decrease in the size of the bank's provision for bad debts and to an increase in income from non-banking activities, mainly services involving the capital markets and foreign currency.

Israel Discount's bad debt provision fell from Shk157.1m in 1991, when the country's banks were forced to make considerable write-offs for loans given to the troubled agricultural sector, to Shk128.4m last year.

The bank's consolidated assets totalled Shk17.5bn at the end of the year, increasing 14.7 per cent from the previous year.

Shareholders' equity rose 10.5 per cent to Shk2.6bn, while net return on shareholders' equity was up from 4.7 per cent in 1991 to 7 per cent in 1992.

Israel Discount Bank of New York, the bank's major subsidiary and the largest Israeli bank operating abroad, increased its net profits in 1992 to \$14.1m from \$11m in the previous year. The bank said these results were "satisfactory, surpassing last year's despite the economic condition in the US".

The New York bank's balance sheet totalled \$3.9bn at the end of the year.

Businessman pulls out of Beijing deal

MR ROBERT KUOK, a Malaysian-Chinese businessman with interests in commodities, hotels and property in the region, is reported to have quit a multi-million US dollar project to redevelop a central area of Beijing, writes Kieran Cooke in Kuala Lumpur.

United Gulf Bank profit tumbles 27% to \$13.7m

BAHRAIN-based United Gulf Bank revealed yesterday that net profit fell 27 per cent in 1992 to \$13.7m from \$18.8m a year earlier, AP-DJ reports.

The offshore banking unit said its gross income rose 35 per cent in 1992 to \$25.1m from \$18.6m, helped by a large increase in income from investment in managed portfolios.

However, it said the increased costs of funding and hedging its assets, owing to the high interest rate climate during 1992, resulted in a loss on interest expenses of \$6.85m, compared with a loss of \$53,000 a year earlier.

Additionally, the bank's foreign exchange operations showed a loss of \$2.74m, compared with a gain of \$2.45m in the previous year.

United Gulf said these factors pared the gross income, leaving the bank showing a sharp fall in net income, compared with a year earlier.

Total assets of the bank increased 32 per cent, however. At the end of 1992, assets were \$297.1m, against \$225m at the end of 1991.

The bank's statement also showed that the bank's accumulated deficit fell to \$28m from \$40.4m a year earlier.

Interest in Japan as financial centre wanes

By Emiko Terazono in Tokyo

JAPAN's position as an international financial centre has waned over the past four years as foreign banks and brokers have become frustrated by opaque market practices and the slow pace of financial deregulation.

According to a survey by the Japan Center for International Finance, an affiliate of the ministry of finance, only 6 per cent of 67 foreign financial institutions questioned believed the Tokyo market could pip New York and London to become the leading financial market within five years.

This figure is sharply lower than in 1989, when 33 per cent

of those surveyed expected Tokyo to lead the other two markets in five years' time.

The figures reflect the weakness of the Tokyo stock market, which has forced some foreign brokers to restructure their Japanese operations and, in some cases, withdraw from the market altogether.

Salomon Brothers and Merrill Lynch, the US brokerages, have recently announced reorganisations. County NatWest, the securities arm of National Westminster Bank of the UK, last year became the first foreign broker to relinquish its seat on the Tokyo stock exchange.

Only 9 per cent of respon-

dents said they were satisfied with the extent of financial deregulation in Japan, and 49 per cent said liberalisation was inadequate compared with London and New York. Some 23 per cent said the financial markets were far from being liberalised.

On the stability of Japan's financial system, 22 per cent said there was a lack of disclosure over the extent of bad loans held by Japanese banks.

A total of 67 per cent said obscure market practices and decision-making were a problem, while others indicated that accounting and tax rules were obstructive.

Despite their waning enthusiasm, foreign banks said prof-

its were rising as a result of the reluctance of Japanese banks to lend to corporations, together with lower interest rates.

The number of foreign banks who found fund procurement from the short-term money market difficult fell from 21 per cent in 1989 to 10 per cent.

Most foreign brokers were taking a long-term view, with 60 per cent replying that they had a long-term strategy in Japan.

Only 5 per cent indicated they were withdrawing from the securities business, while another 5 per cent said they were cutting securities operations.

BAWAG

BANK FÜR ARBEIT UND WIRTSCHAFT A.G.

(Incorporated with limited liability in Austria)

U.S.\$100,000,000 Subordinated Floating Rate Notes due 2000
In accordance with the terms and conditions of the above-mentioned Notes notice is hereby given that the Rate of Interest has been fixed at 5.25% per annum and that the interest payable on the relevant Interest Payment Date, September 30, 1993 against Coupon No. 17 in respect of U.S.\$10,000 nominal of the Notes will be U.S.\$268.33.

March 30, 1993, London

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK



Bank of Greece

(Incorporated with limited liability in the Hellenic Republic)

U.S. \$100,000,000

Floating Rate Notes due 1997

For the period 30th March, 1993 to 30th September, 1993
In accordance with the conditions of the Notes, notice is hereby given that the rate of interest has been fixed at 4.1626 per cent per annum, and that the interest payable on the relative payment date being 30th September 1993 will be U.S.\$5,318.76 per U.S.\$250,000 Note and U.S.\$10,637.50 per U.S.\$500,000 Note.
The Industrial Bank of Japan, Limited
(London Branch)
Agent Bank

THE STARS PROGRAMME

STARS 1 PLC

\$475,000,000 Class A Floating Rate

Mortgage Backed Securities 2029

Notice is hereby given that the Rate of Interest has been fixed at 6.35% and that the interest payable on the relevant Interest Payment Date June 28, 1993 against Coupon No. 10 in respect of \$10,000 nominal of the Notes will be £158.32.

March 30, 1993, London

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

Floating Rate Bond due 2005

THE REPUBLIC OF ARGENTINA

In accordance with the provisions of the Fiscal Agency Agreement, notice is hereby given that for the six month Interest Period from March 31, 1993 to September 30, 1993 the Bonds, upon their issuance, will carry an Interest Rate of 4.25% p.a. and the Coupon Amount per U.S. \$1,000 nominal of the Bonds will be U.S. \$21.60.

March 30, 1993, London

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

Collateralized Floating Rate Bond due 2023

THE REPUBLIC OF ARGENTINA

In accordance with the provisions of the Fiscal Agency Agreement, notice is hereby given that for the six month Interest Period from March 31, 1993 to September 30, 1993 the Bonds, upon their issuance, will carry an Interest Rate of 4.25% p.a. and the Coupon Amount per U.S. \$1,000 nominal of the Bonds will be U.S. \$21.60.

March 30, 1993, London

By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

U.S. \$100,000,000

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Guaranteed Floating Rate Notes

Due 1994

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GW

Great Western Financial Corporation

Interest Rate 5 1/4% per annum
Interest Period 30th March 1993
30th September 1993
Interest Amount per U.S. \$10,000 Note due 30th September 1993 U.S. \$268.33

Credit Suisse First Boston Limited Agent



Abdij National First Capital B.V.

(Incorporated in The Netherlands, registered office: The Hague)

U.S. \$75,000,000

Subordinated Guaranteed

Floating Rate Notes Due 2002

For the Interest Period 30th March, 1993 to 30th September, 1993, the Notes will carry an Interest Rate of 5 1/4% per annum, the Coupon Amount payable per U.S. \$1,000 Note will be U.S. \$26.19, and for the U.S. \$10,000 Note, U.S. \$261.94, and for the U.S. \$100,000 Note, U.S. \$2,619.44, payable on 30th September, 1993.
Listed on the London Stock Exchange

Bankers Trust Company, London
10th March, 1993

Agent Bank

U.S. \$100,000,000



Kemira Oy

Floating Rate Notes Due 1995

of which U.S. \$75,000,000 has been issued as the Initial Tranche

Interest Rate 5 1/4% per annum
Interest Period 30th March 1993
30th September 1993

Interest Amount per U.S. \$10,000 Note due 30th September 1993 U.S. \$268.33

Credit Suisse First Boston Limited Agent

All of these securities having been sold, this advertisement appears as a matter of record only.

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March 1993

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Capital Markets

Singapore banks exceed expectations

banks continue to be among the world's best-capitalised

banks continue to be among the world's best-capitalised financial institutions. Most analysts predict further strong growth in 1983. A recent Merrill Lynch report estimated that OCBC's combined capital adequacy ratio, including latent reserves, could be as high as 35 per cent. The island republic's conservatively-run banks are now

The banks have already stepped up their offshore lending activities, particularly in south-east Asia.

Broken Hill edges to A\$226m for quarter

inclusion of NZ Steel. However,

The petroleum division reported a 28 per cent increase to A\$106m, reflecting higher oil and liquefied natural gas production. Lower crude oil prices were more than offset

BHP said "significant progress" had been made towards finalising a production sharing contract for the prospective Dai Hung offshore

in China

sector participation." Mr Fox said BOT schemes could also be used for other infrastructure development such as toll-roads, ports, bridges and airports, but these were trickier in terms of securing a partner.

Power stations, on the other hand, were more easily geared to recouping outlays from tariffs paid by consumers, Mr Fox said.

A power purchase contract can guarantee the revenue stream for a power station project," he observed. "But it is clearly less practical to conclude contracts with users of a toll road or passenger rail system."

buying and selling rates except where they are

£ STG	US \$	D-MARK	YEN
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TABLE 1			
Estimated values of β for the 1000 simulated data sets			
Sample size	Number of variables	Number of non-zero parameters	Estimated value of β
5000	20,4986	18,2745	22,8772
4010	1	0,6142	0,8556
3535	0,6728	0,5585	0,8242
3470	1700	194,18	1454,63
273	1,8309	1,1246	1,5887
3730	25,0167	15,3638	21,406
100	0,0708	0,4119	0,5738
7980	1,5795	1,1626	1,6057
9110	1983,86	1022,01	14238,2
2530	151,341	82,8938	128,412

4670	1	0.9142	0.0256
4265	3.6365	2.2354	3.1142
2950	5.8231	3.3923	4.7259
7746	595.399	398.701	508.483
10.20	140.979	86.5911	120.631
0.0255	2.6988	1.8582	2.3101
1.00	0.8706	0.4118	0.5738
0.0258	2.6988	1.8582	2.3101
2.290	5.8231	3.3923	4.7259
0.0265	2.6988	1.8582	2.3101
37.50	1807.98	987.542	1375.8
57.85	240.007	147.415	205.386

3900	2.7551	2.2052	3.2114
11.76	278.157	168.619	238.298
7225	5.18	3.1816	4.4324
35.15	540.007	331.679	482.056
4485	1.5421	1.0096	1.4051
9586	28.8388	17.128	24.876
1.58	27.8673	17.1287	23.852
5425	104.242	64.0287	88.185
7306	3.1727	1.9487	2.7147
26.40	2619.99	1609.23	2241.84
4800	3.1183	1.955	2.7238
2109	4.5747	2.8099	3.9144

73.80	116.833	71.8374	88.7991
73.90	116.833	71.8374	88.7991
73.95	40.28936	28.30326	40.1253
74.01	19	6.1421	8.5568
74.05	1.785	1.0993	1.5274
74.07	3.183	1.955	2.7236
74.08	7.738	4.7526	6.9212
74.09	1.5073	0.8236	1.1566
74.10	21	12.8894	17.569
74.12	28.1737	18.0762	22.3658
74.14	342.591	210.669	230.768
74.15	342.591	210.669	230.768


100	253,997	182,997	217,170
11.75	278,157	169,919	236,288
1086	1,414.48	0.869	1.2108
3370	4.26	2,610.05	3.9367
4940	1.002	0.6154	0.6573
34.39	6382.62	5785.06	8036.95
4910	1	0.6142	0.6556
1095	1,414.48	0.869	1.2108
11.40	1221.6	750,319	1045.28
4905	2.6767	2.2676	3.1461
1.00	0.6706	0.6119	0.6736
4910	1	0.6142	0.6556
3990	3.621	2.224	3.0964

13.25	120.624	74.0885	103.214
17.50	1907.98	987.542	1375.9
19.80	84.5801	51.9501	72.3724
20.50	10480	8443.08	8875.95
25.10	1	0.8142	0.8554
29.10	1	0.8142	0.8556
31.45	2.5583	1.5713	2.189
39.15	16.5	10.1345	14.1185
53.35	0.4651	0.2856	0.3879
8.25	750	460.658	541.75
338.0	2583191	1586627	2210332
18.40	454.987	276.484	398.326

98-00	6.4949	3.8882	3.5973
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JAL
MILEAGE
BANK



The Telegraph directors repeat Southam deal recommendation

By Maggie Urry

THE TELEGRAPH, the newspaper group 68 per cent owned by Mr Conrad Black's Hollinger Group, has sent shareholders a second circular about the £72.3m deal to buy a stake in Southam, the Canadian newspaper company.

The new circular, which was necessitated by the purchase of an 18.8 per cent stake in Southam by Power Corporation of Canada, again recommends minority shareholders to vote in favour of the deal. At a special meeting to be held on April 13, Hollinger will not vote, but holders of 8.5 per cent of the shares will support the

resolution. The Telegraph has also joined the list of companies paying a second interim dividend to beat the Budget changes on advance corporation tax. It will pay the 6.5p dividend on April 5 so allowing shareholders the benefit of a 25 per cent rather than a 20 per cent tax credit.

The circular says that the Power investment in C\$180m (£100m) new shares in Southam, "will strengthen Southam's balance sheet" and that "Power, with Hollinger and The Telegraph, will add to the pressure for an improvement in Southam's performance".

The Telegraph's independent

directors said that the Telegraph's ability to influence Southam "may be diminished by the presence of Power" but an agreement between Power and Hollinger would mean that the three would be "a powerful force for change at Southam". Together they would hold more than 37 per cent of the shares. They added that the changes to the deal would not alter the financial effects of the investment on The Telegraph.

The independent directors acknowledged that Power's investment at C\$14 a share, compared to the offer of shares to The Telegraph at C\$18.10 a share, "has received comment". "It is clear that the

lower price paid by Power is to its advantage", however such an opportunity was not on offer to The Telegraph, they added.

The first circular was posted on March 13. It was between March 13 and March 15, before shareholders received that document, the new circular reveals, that Hollinger began negotiating the deal with Power. The Telegraph learned of the discussions on March 16.

Power's proposal to Southam was accepted on March 18 and The Telegraph's shareholders were told on March 19. The deal called for today, before the change in the deal, will be adjourned.

space and automotive markets, the group saw turnover slip from £28.7m to £27.8m. Sales were slightly lower to aerospace customers, where margins were lower, but higher on the automotive side, where they showed a small increase.

Under a new management team, Linread has over the last year driven towards greater productivity; the number of employees has been reduced 9 per cent to 753, but the average level of sales per employee has grown 30 per cent.

Borrowings have been restructured on to a longer term basis and gearing has been reduced from 59 per cent to 29 per cent.

Selling primarily in the aero-

NatWest Securities changes earnings stance

By Andrew Jack

NATWEST SECURITIES has announced a change in the way it will be calculating companies' "normalised" earnings as a result of the new format introduced by FRS 3, the new accounting standard on the profit and loss account.

In a circular to clients, it says it has re-cast its previous formula and will exclude non-trading - or capital - items in its own figure.

The details come as many analysts are pondering how best to interpret FRS 3, which all but abolishes extraordinary items and changes the structure of company accounts.

The firm stresses that its forecast normalised earnings will therefore show the expected operating performance of a company in the light of its structure during the reporting period.

NatWest's separate calculation for "maintainable" earnings will include simply acquisitions, continuing business operations and exceptional recurring charges from a company's trading results.

It says there will never be agreement on a standardised definition of earnings while too much is expected from a single figure.

NatWest also says professional investors should welcome FRS 3 as a chance to re-examine the tools of their trade.

Sales fall sees 3% slip at Macallan-Glenlivet

By Peggy Hollinger

MACALLAN-Glenlivet, the Scottish distiller, yesterday announced its first profits fall in 10 years with a 3 per cent decline at the pre-tax level to £7m for the 12 months to December 31. Sales were 4 per cent lower at £16.8m.

Mr Brian Cameron, company secretary, said the group had been hit by a decline in demand from blenders, who were cutting back on stock.

Sales of blend whisky fell by 26 per cent and were expected to fall again in the current year.

Blenders were extremely cautious at the moment, Mr Cameron said, having suffered the consequences of a "whisky

lake" in the 1980s. However, they had indicated that they expected an improvement in 1994. "We are reasonably confident it will pick up again," he said. Even at these depressed levels, blend sales were higher than the last downturn.

The squeeze in this part of the business was offset by an 11 per cent increase in volumes of The Macallan, the group's bottled brand.

Italy proved to be the most successful export market, with the US also showing year on year growth. About 80 per cent of Macallan's production is exported.

Mr Cameron said the devaluation of sterling might help foreign retailers to maintain

prices, although all of the UK company's exports were paid for in sterling.

Sales in the UK had been flat. During the year, Macallan spent £2.1m to promote The Macallan brand worldwide and £2.2m was budgeted for this year.

Sales of bottled whisky were expected to be more difficult in the current year, although the company intended to maintain production at similar levels.

The group's confidence of an eventual upturn was reflected in a higher final dividend of 0.615p, resulting in a 20 per cent increase in the total to 0.915p. Earnings per share were 4.45p (4.87p).

Mr Cameron said the devaluation of sterling might help foreign retailers to maintain

Hambro to sell Londonderry Hotel

By Maggie Urry

THE LONDONDERRY Hotel, the central London hotel which was being redeveloped by Brent Walker, the property and leisure group, has been put up for sale by Hambro Leasing, part of Hambro Bank. A guide price of £33m has been set.

Hambro Leasing bought the hotel in November 1989, arranging to lease it to Brent Walker. That company, which last year completed a financial restructuring, closed it for refurbishing in April 1991.

However, Brent Walker is understood to have decided that a sale of the hotel would not cover its leasing commitment and pulled out of the arrangement.

Brent Walker's liability to Hambro Leasing will be added

to the group's general indebtedness. Hambro Leasing is thought to have other security on the hotel.

The sale of the hotel, situated on Park Lane, is being handled by Weatherall Green & Smith.

When Brent Walker publishes its accounts, probably in May, they are expected to show compensation for loss of office totalling some £1.5m. These cover a number of departures, including Mr Ken Scobie, until January the group's chief executive, and Mrs Jean Walker, a former executive director of the group.

Mrs Walker, wife of Mr George Walker, the former chairman and chief executive, is understood to have received a package, including pension entitlements, of about £240,000.

Linread returns to black with £1.32m

By Paul Chesswright, Midlands Correspondent

LINREAD, the Birmingham-based fasteners and precision components group, last year consolidated its financial position, with pre-tax profits of £1.32m, compared with losses of £2.2m.

With earnings per share for the 12 months to December 31 of 7.26p, contrasting with losses of 15.94p, the group is resuming what it called "a progressive dividend policy" and lifting its final to 2.25p.

This brings the total for the year to 3.76p, against 3.5p which was paid from reserves.

Selling primarily in the aero-

space and automotive markets, the group saw turnover slip from £28.7m to £27.8m. Sales were slightly lower to aerospace customers, where margins were lower, but higher on the automotive side, where they showed a small increase.

Under a new management team, Linread has over the last year driven towards greater productivity; the number of employees has been reduced 9 per cent to 753, but the average level of sales per employee has grown 30 per cent.

Borrowings have been restructured on to a longer term basis and gearing has been reduced from 59 per cent to 29 per cent.

Selling primarily in the aero-

Bayerische Landesbank Bulletin

MONEY AND CAPITAL MARKETS REPORT

GERMAN BOND MARKET CONCERTED ACTION

The Bundesbank's manoeuvring room has widened, and expectations of lower interest rates are unbroken. Frankfurt has now also given short rates a downward push.

The German bond market's rousing start to the year, which took even optimists by surprise, has pushed bond yields down to their lowest level since early 1989,

although the Bundesbank has made only marginal cuts in the key interest rates so far. The market has come to take further key-rate cuts for granted; merely time and extent of such action, which will clear the way for a fall in short rates, are still a matter for conjecture.

The Bundesbank has shown great caution so far. In the meantime, however, Frankfurt's manoeuvring room has widened: The latest wage settlements are largely in line with its wishes, and inflation is expected to ease slightly in the months to come.

Import prices provide relief

If further progress in curbing inflation is to be made, however, the D-mark's exchange rate will at least have to remain stable.

A "three" in front of the decimal point, which many believe can be taken for granted after the latest wage agreements, will no doubt be a major factor in determining the extent to which the Bundesbank will be able to loosen the monetary reins. The bullish tone in the bond market, despite the stronger dollar (the greenback has risen a good 18 per cent against the D-mark since September 1992), is also, if not solely, due to the interest-rate hopes cautiously nourished by the Bundesbank. But this also means that while adverse external influences (EMS, US interest rates and the dollar) have not diminished the D-mark's strength so far—"home-made" factors could take on increasing importance again as determinants of interest rates in the coming months. A major home-made factor, apart from inflation, is the public debt.

Borrowing by the public authorities, estimated at DM 170-180 billion in 1993, will hardly inspire much confidence regarding interest rates. A look back on the previous period of high interest rates in the early 1980s shows, however, that a comparatively high public-sector borrowing requirement does not necessarily have the effect of driving up interest rates.

Despite the high debt-to-GNP ratio, yields quickly declined as of 1982. At mid-1982 (the discount rate stood at 7 1/2 per cent and the Lombard rate at 9 per cent), the Bundesbank switched from red to amber, reducing the discount rate and the Lombard rate to 5 per cent and 6 per cent, respectively, and then changed to green. The key-rate cuts since September 1992 could thus be regarded as another amber phase.

The government's high new borrowing (including borrowing by the Federal Railways, the Federal Post Office and other independent agencies) does not, therefore, give any grounds for pessimism regarding interest rates. Such pessimism would be justified only if the govern-

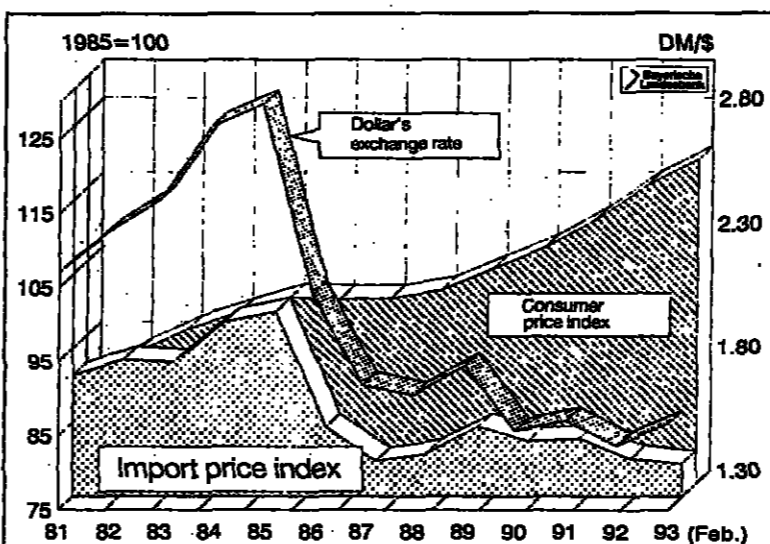
ment did not undertake any efforts to consolidate the budget by cutting expenditures. One thing should not be overlooked, however: Interest payments on the public debt—DM 1.5 trillion at the end of 1992—are already as high as some DM 110 billion p.a. In purely mathematical terms, the annual interest service is thus equal to about two-thirds of new borrowing. The following simple arithmetic

(based on an average capital-market interest rate of 7.2 per cent) shows that net borrowing will have to be further reduced to alleviate the cost burden on the public authorities. If annual net borrowing should keep at DM 170-180 billion also in the years to come, the proportion of interest payments to total new borrowing would rise to 90 per cent of total borrowing by 1997; in 1999, the government's interest service would be higher than the total amount borrowed this year.

Although estimates of the public debt are of little use as a basis for forecasts regarding interest-rate trends, the steep rise in public borrowing (a direct consequence of German unification) should not be taken lightly. The Federal Republic, formerly one of the leading capital exporters, will remain dependent on imports of capital for some time, as these funds are needed to bridge the gap between the overall demand for capital (from the government, companies and private individuals) and total savings. This makes it necessary to ensure that interest rates do not undercut the

D-mark's appeal, as otherwise foreign investors may lose interest in DM securities.

It is therefore to be expected that the Bundesbank will move in concert with the other central banks. Such concerted action is necessary, not least because of the depressed state of the world economy, which calls for lower interest rates.



German inflation since the mid-1980s has been entirely due to domestic causes. While the consumer price index was close to 119 (1985 = 100) in February, the import price index registered a fall to 79 1/2. This means that the average price of imports is down more than one-fifth from its level some seven years ago. This is due not least of all to the weakening of the dollar, which has dropped some 44 per cent from its late-1985 level. While import prices (in D-marks), and thus the Federal Republic's import bill, are benefiting from the mark's strength, the above-average increases in rents (+ 27.6 per cent since 1985) and the prices of services (+ 27 per cent) are fuelling inflation. Rising import prices, mainly energy prices, would quickly feed through into the consumer price index. For this if for no other reason, maintaining the D-mark's stability will remain high up on the Bundesbank's list of priorities.

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FT SURVEYS

COMPANY NEWS: UK

Engineer on track with plans to reduce costs and restore profits

Lucas' £5.2m meets promise

By Paul Cheeseright,
Midlands Correspondent

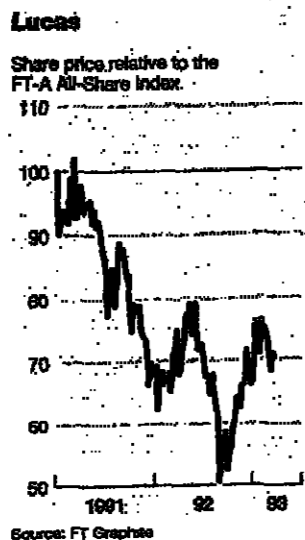
LUCAS INDUSTRIES, the international engineering group, yesterday delivered its promise of breaking even in the first half of its 1992-93 year. Pre-tax profits amounted to £5.2m on turnover of £1.29bn for the six months to January 31, against £200,000, inflated to £90.2m from a contribution from the pension fund, on sales of £1.15bn last time.

Sir Anthony Gill, chairman, said Lucas was "on track with its plans to reduce costs, restore profitability and improve cash generation" and, therefore, is maintaining the interim dividend at 2.1p.

Fully diluted earnings per share were 0.3p, against 10.3p if the pension fund contribution is taken into account or losses of 0.6p if it is not.

In a half year when the increase in total sales came largely from favourable translation of exchange rates, the brightest spot in the trading performance came from the automotive division: operating profits rose from £2.7m to £13.2m, in aerospace, however, there was a decline from £10.5m to £7.2m. Applied technology operating profits were marginally higher at £4.5m (£3.9m).

Margins have been wafer thin: 2.2 per cent in the aerospace division, down from 3.4 per cent; 1.7 per cent in the automotive division, up from



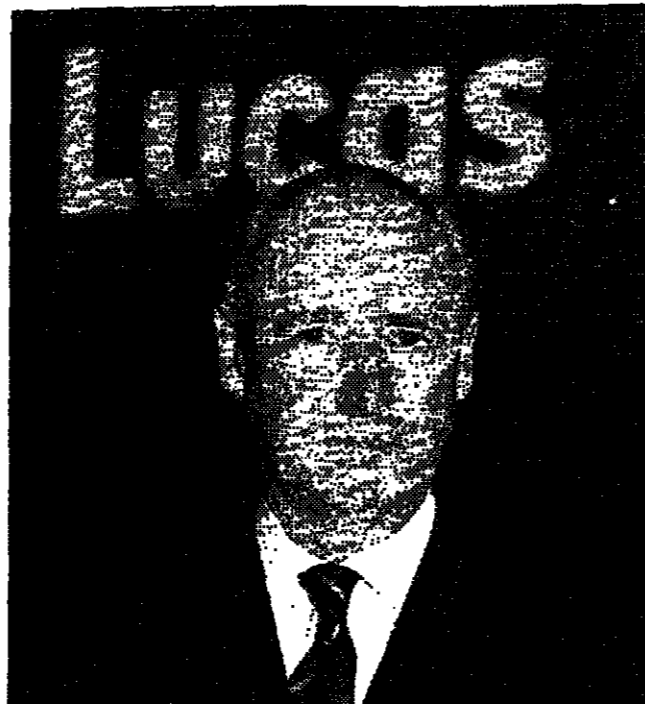
0.4 per cent; and 2.6 per cent in applied technology, up from 2.5 per cent.

Immediate market prospects are encouraging only in isolated parts of the business, like diesel engine injection systems.

"Delayed world economic recovery must inevitably dampen sales prospects for this year," said Sir Anthony.

This suggested that Lucas's aim of earning enough to pay covered dividends for this financial year - indicating annual pre-tax profits of some £75m - is dependent on the internal changes of its restructuring programme.

By the year end Lucas will have spent £53m of last year's



Sir Anthony Gill: delayed recovery dampens sales prospects

£38.4m provision for restructuring. Annual costs of £85m have been taken out of the business.

The workforce will have been reduced to about 50,250 by 2,800 redundancies and the loss of a further 2,500 through divestments.

A new management structure is already in place, although the appointment of a new chief executive is still awaited.

Lucas also announced that it had signed a contract with BMR Rolls-Royce to supply engine mounted accessory gear boxes for the BR700 series. The contract is worth about £100m (£70.4m). The group plans to dispose of two aerospace businesses in the UK - a switchgear and ignition plant in Coventry and a wiring systems plant in New-castle-under-Lyme. See Lex

Computer People drops to £145,000

By Alan Cane

COMPUTER People, the London-based information technology consultancy, saw pre-tax profit plunge from £1m to £145,000 in 1992.

After a tax charge of £280,000 the group was forced into a loss of £135,000 (profit £78,000), or 0.97p per share (earnings 5.48p).

The final dividend is omitted, leaving the year's payment at 0.65p (5.4p). Mr Rupert Bayfield, chairman, explained that only a nominal amount could have been added to the interim, so it was believed better to employ the funds in the business.

Turnover was 7 per cent down at £62.7m (£67.7m). Operating profit fell to £495,000 (£1.22m) but interest payments came to £350,000, up 61 per cent on 1991. Gearing was 82 per cent (53 per cent). The group started life as a computer recruitment agency and a recruitment service is still provided in the UK; the bulk of the business, however, involves supplying consultants in the US and UK.

The business has been hard hit by the recession in both markets; in 1989, for example, pre-tax profits amounted to £4.22m.

Mr Bayfield said the group returned to profitability in the second half of 1992. In the UK, which contributed 63 per cent of turnover, revenues were back to 1990 levels, but competition and declining recruitment business forced down profits.

In the US, the volume of business was lower than in earlier years but reduced overheads resulted in improved operating profits.

The high tax charge stemmed from the lack of a current tax benefit in the US on the interest on loans made to the American subsidiary.

Correction

BNB Resources

BNB's core business is executive search, selection and recruitment advertising. It was incorrectly identified in last Friday's edition.

Right people, right plan but at the wrong time

Neil Buckley on why Argos closed its furniture arm

ARGOS' recent decision to close its pilot Chesterman furniture was an unfortunate, if not unexpected, blow for the catalogue retailer, which has many admirers among the UK's shoppers and in the City of London.

On top of the £18.9m closure costs and losses last year, which pushed Argos' pre-tax profit down 15 per cent to £52.9m, Chesterman's demise was the more unfortunate because it was the retailer's first diversification away from catalogue showrooms since its demerger in 1990 from BAT Industries.

The Chesterman concept seemed very attractive when it was first researched at the tail end of the consumer spending boom in 1989. It involved out-of-town superstores of 30,000 to 40,000 sq ft, selling quality furniture to "empty nesters", parents aged 35 to 55 whose children were leaving home.

The project was also well-executed. Visitors to the four stores in Mill Hill in London, Chatham in Kent, Fareham in Hampshire and in Bristol, liked what they found, according to the company's research.

However, the timing was all wrong. After initial research, the project had to be put on hold when Sir James Goldsmith's Hoylake consortium made its £13.3bn bid for BAT Industries, then Argos's parent company, in 1989.

By the time BAT had demerged Argos as part of its bid defence, and the company was able to launch Chesterman, the UK retailing climate had undergone what Mr Mike Smith, Argos' chief executive, called a "fundamental sea change".

"I can't fault the management or staff involved in Che-

sterman," said Mr Bob Stewart, finance director. "The problems were in building up customer awareness, and that this area of up-market furniture has been one of the worst affected in the recession."

Timing has perhaps not been Argos' strong point. It emerged from what was the Green Shield trading stamp company in 1973 - just as the oil crisis, raging inflation and a downturn in consumer spending was making life very difficult for retailers.

But the instincts of Mr Richard Tompkins, founder of the Green Shield empire, proved correct. Argos began expanding rapidly from 1975 and by 1979, when ill health forced Mr Tompkins to sell the chain to BAT for £35m, it had 91 showrooms and a turnover of £113m.

Eleven years later, when Argos regained independence - now with 250 showrooms and £900m turnover - the UK was once more sliding into recession. Profits fell from £75.1m in 1990 to £52.1m last year.

This week's results, however, give grounds for optimism. Stripping out the Chesterman costs, pre-tax profits rose to £71.8m, compared with a restated £63.8m last year. Turnover topped £1bn for the first time.

It is not widely appreciated that Argos is the UK's leading retailer of small electrical appliances, as well as sofa beds, telephones and keep fit equipment. It occupies second place in jewellery and DIY tools.

Retailing analysts view the business as one with considerable underlying strength - thanks to its success in keeping costs down and introducing

new systems, as well as its prominent position in its market - and feel it is well-placed to benefit from any upturn in consumer spending.

Moreover, the business is far from mature. At present it has 302 stores, but has a "pragmatic" target of more than 500 stores in the UK, having identified 600 potential sites. At a rate of 20 or 25 new openings a year, the chain should be expanding well into the next decade.

Mr John Richards, stores analyst at NatWest Securities, believes an annual growth rate of 12 per cent at operating profits level is possible over the next five years.

But, however competent Argos is at running and growing its core business, sooner or later it will need to diversify.

Mr Smith says important lessons have been learnt from Chesterman - that the gap between research and launching a new format has to be shortened, project fundamentals have to be constantly re-examined, and future diversifications will have to be closer to Argos' core areas of competence and involve lower overheads.

Continental Europe is unlikely to see Argos catalogue showrooms opening in the near future, as, says Mr Smith, "the rules of the game there are difficult to understand, let alone execute." He also sees overseas acquisitions as highly risky, so the UK remains the likely area for diversification.

After the unhappy experience with Chesterman, however, it may be a year or two before Argos is prepared to put its head above the parapet again.

Edinburgh Fund Managers up 4.5%

By Philip Coggen,
Personal Finance Editor

EDINBURGH FUND Managers announced a 4.5 per cent increase in pre-tax profits from £4.78m to £5m in the year to January 31.

Funds under management at the group, which is 54 per cent owned by British Investment Trust, rose from £1.91bn to

£2.26bn. Part of that increase was due to rising stock markets; £254m of net new money was attracted during the year.

Since the end of January, EFM has acquired Target Trust Managers, with £110m under management. Over the weekend, EFM Dragon, an investment trust managed by the group, announced that its bid for Drayton Asia, a trust with

£125m of assets, had gone unconditional.

Private Fund Managers, the private client subsidiary, now has £235m under management and made its first significant profit contribution.

Operating profit rose to £3.87m (£3.21m). Earnings fell to 13.1p (13.6p). The final dividend is increased to 8.5p, making a total of 13.5p (13p).

Arnotts halved

ARNOTTS, the Dublin-based department store company, reported halved pre-tax profits for the year January 31. High interest rates, the currency crisis and recession in the second half were blamed.

On turnover of £143.1m (£144.1m) pre-tax profits fell from £24.22m to £12.24m (£2.23m). Net interest rose to £565,000 (£530,000) reflecting higher interest and borrowings for the upgrading programme.

Earnings were 7.1p (14.1p) but the final is held at 5.25p for an unchanged total of 7.5p.

CrestaCare announces changes

By Maggie Urry

NEW INVESTORS and a new chief executive were announced yesterday by CrestaCare, the nursing home group currently withdrawing from its problematic property interests.

Mr Andrew Tase has become chief executive, replacing Mr John McAllister who resigned with immediate effect. Mr Tase arranged the purchase of a 24.04 per cent stake in the group from Asia Securities International by a range of institutions and private individuals at a price of

31½p. CrestaCare's shares closed yesterday at 35p, up 4p.

The deal was completed on Sunday, after Mr Tase flew to Hong Kong last week to make Asia Securities an offer for the stake. No broker was involved. Asia Securities had built the stake over a number of years but following a change of ownership no longer found it an appropriate investment. Mr Tase said.

He said yesterday that Mr McAllister had done "an excellent job in cleaning up the balance sheet and focusing the group on the healthcare sector". Now, he said, he would take the group on from there.

Mr Tase is chairman and a principal shareholder in Grovenor House Group, which leases three nursing homes to CrestaCare. He also owns Premier Healthcare (UK), one of the new investors in CrestaCare with a 1.91 per cent stake.

Four institutions took the bulk of Asia Securities' stake, Schroder Investment Management, with 9.54 per cent, Gartmore Investment with 5.72 per cent, Morgan Grenfell Asset Management 3.81 per cent and Mercury Asset Management 1.91 per cent.

British Gas advises its industrial and commercial contract customers of changes to the FI5 Schedule indexation terms.

FI5 FIRM & INTERFERE PRICE SCHEDULE

Contracts entered into on or after the terms of the FI5 Schedule on or after 1st May 1993 will be subject to the indexed price option a revised indexation base will be introduced.

General Note 4 (Indexed Linked Contracts) of the FI5 Schedule will be amended by the addition of a new paragraph to be inserted immediately after existing paragraph (a) of General Note 4.

Under the contracts to be covered by the Schedule the mechanism for determining the price of gas in accordance with the specific indexation terms selected by the Customer shall be set out in a Price Indexation formula utilising indices which give effect to the indexation terms. These Schedule Reference Prices are the prices shown in Table 1 for firm gas contracts and Table 2 for interruptible gas contracts based at 24 hours per day which are indexed to the 24 hours September and October 1991.

Copies of all Schedules and Conditions of Contract are available from the Registrar and Regional Heads Office of British Gas.

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FT SURVEYS

COMPANY NEWS: UK

Fine chemicals business showed strongest advance Hickson back in the black with £24.3m

By Peggy Hollinger

HICKSON International, the speciality chemicals company, returned to the black with pre-tax profits of £24.3m for the year to December 31, against losses of £4.5m.

Sir Gordon Jones, chairman, said the company had spent the last year reorganising its businesses and strengthening management. "We now know what we are best at," he said.

Hickson had become "financially secure" following the 170m rights issue in 1991. Three acquisitions had been made, for a total of £34.5m, including the £24m purchase of PharmaChem in Ireland. This had given Hickson an important entry to the pharmaceutical market, he said.

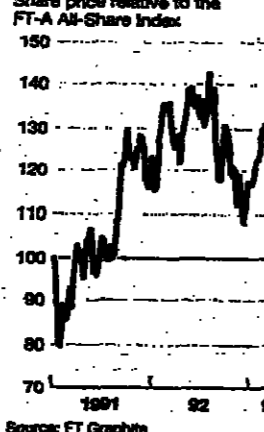
Sir Gordon was cautious about the short-term outlook, warning that economic downturn in Germany would affect profits there, and in the Netherlands and France. About 25 per cent of profits comes from mainland Europe.

However, the upturn in the US was expected to offset the European decline. The US and dollar dependent economies are responsible for some 40 per cent of profits.

The sharp turnaround in pre-tax profits reflected the disposal of the floor coverings business in 1991, which had

Hickson International

Share price relative to the FT-100 Share Index



Source: FT Graphs

resulted in a £19.4m loss that year, and the absence of a £5.5m provision for environmental liabilities and potential litigation. Under the new accounting standards, these charges must be taken above the line.

Pre-tax profits from continuing operations were ahead 85 per cent at £29.2m. Sales for the group as a whole fell by 7 per cent to £342.5m, although on-going businesses showed an 11 per cent increase to £228.2m.

The final dividend is maintained at 5.15p, for a total of 8p. Earnings per share were 10.5p,

partly helped by a lower tax charge, against losses of 6.7p. On a continuing operations basis, earnings per share rose from 6.1p to 12.7p.

Within the group's four divisions, fine chemicals showed the strongest increase with profits ahead 44 per cent to £15m. PharmaChem contributed £2.3m. The protection and coatings operation was hit by a sharp decline in Italy and fell 4 per cent to £9.5m. Performance products fell 12 per cent to £5m.

COMMENT

The simplest guide to Hickson's performance might be the decision to maintain the final dividend. The company appears to have suffered a bit in the second half, particularly in Italy. Sir Gordon indicated yesterday that Hickson expected "relative stability and consolidation" in 1993, in spite of a US recovery. Nevertheless, there might be gains with the three acquisitions, especially PharmaChem. Forecasts are for an increase in pre-tax profits of continuing operations from £29.2m to £34.5m this year, after currency gains and organic growth. This leaves the shares up with the sector's rating of about 15 times. Hickson's attractions might become greater when economic recovery on both sides of the Atlantic begins to take shape.

Forth Ports higher at £10.9m

By Angus Foster

FORTH PORTS, the Scottish port operator which was privatised and floated last year, yesterday announced its first annual results and said trading was expected to be more difficult this year.

Pre-tax profits increased from £5.33m to £10.9m in the year to December 31. However, most of the rise stemmed from a £1.25m exceptional gain through the early repayment of government loans. This had previously been treated as extraordinary, but has been restated following the decision to adopt FRS 3.

Turnover was unchanged at £32.4m. Tonnage from British Pipe Coasters, one of the company's largest customers, fell by 30 per cent as North Sea orders for BPC's services declined. However, tonnage from containers and piped cargoes increased slightly and the company said grain and animal feed tonnage also increased.

Mr Hugh Thompson, chief executive, said BPC tonnage was likely to fall again this year, perhaps more sharply. He said Forth had been winning new business, but profits from new and enlarged contracts would not be reflected in this year's profits.

Operating profits increased from £7.5m to £9.88m. Forth also reported adjusted figures to exclude the exceptional profit and certain cash balances which reverted to the government following privatisation. On this adjusted basis, pre-tax profits increased from £6.2m to £8.7m.

Earnings were 23.8p or, on an adjusted basis, 17.5p. The final dividend is 4.25p to make 8.25p.

COMMENT

Forth's share price of 235p has doubled in a year since the 110p flotation. This stems from an undervalued offer price than enthusiasm about the company's trading conditions. Yesterday's results would have been flat without the accounting changes, and the outlook will remain lacklustre for at least another 12 months. As well as BPC, Forth reported little upturn in construction materials throughput, even against a poor 1991, and a Russian coal contract is likely to fall below forecast. However, the company should start to benefit from falling overheads - another 47 employees departed last year - and there could be good news on the Scottish Office property soon. Forecast profits of £7.5m put the shares on just under 15 times. Although Forth is an interesting smaller operator, it looks fully valued unless economic recovery is quicker than expected or the company pulls off a tidy acquisition.

Pearson beats forecasts with £151m

By Raymond Snoddy

PEARSON, the publishing, banking and industrial group which owns the Financial Times, announced pre-tax profits of £150.8m for the year to end-December, a fall of 16 per cent but significantly better than analysts' forecasts which ranged as low as £134m.

The result coupled with a proposed increase in the final dividend to 6.625p to give 12p (11.625p) boosted the shares by 27p to 404p. Earnings per share were 19.3p (24.7p).

Lord Blakenham, chairman, said that despite lower profits the company was starting to see benefits from a cost reduction programme which had included some 3,000 redundancies in just over two years. The average number of employees in 1992 was 28,000.

"We generated more cash than ever before, and held on to £18.5m including contributions from foreign newspapers such as Les Echos, and the 1991 pre-tax profit of £179.8m

was boosted by a £33.2m gain on the sale of an associate. Interest payable fell to £13.6m (£19.6m).

Operating profit from continuing operations, at £166.8m, was down 11 per cent. The main reason was the collapse in operating profits of oil services from £24.7m to £500,000 on turnover down from £218.7m to £289.8m.

Mr David Velt, chief executive of the division, blamed a fall in gas prices and drilling activity. A total of £20m (£14m) was spent on redundancies and closures, and capital expenditure was cut from £42m to £24m. The division has been profitable so far this year.

Books were "the star performer", with operating profit up 35 per cent to £26.4m. Penguin profits doubled to £26.3m on record sales.

The Financial Times group increased profits by 5 per cent to £18.5m including contributions from foreign newspapers such as Les Echos, and the 1991 pre-tax profit of £179.8m

made £31.1m, a 5 per cent improvement.

Mr Frank Barlow, chief operating officer, said that BSB's was now making operating profits of more than £1m a week and the first return in the form of interest on loan stock is expected this year.

Investment banking showed a 9 per cent fall, with an operating profit of £23.7m. Profits from fine china fell by 39 per cent to £10.7m.

Lord Blakenham said Pearson was now "potentially very profitable" following cost-cutting and savings. "We have the capacity to respond to any upturn in demand without increasing costs. At the FT, for example, for every extra 100p of advertising revenue we add 75p goes to operating profit."

Mr Guy Lammie, media analyst at James Capel, described the results as "mixed".

"There is the feeling that they have scraped the bottom and things are looking up for the company."



Lord Blakenham: seeing benefits from cost cutting

Brown & Jackson recovers to £0.97m

By Paul Taylor

BROWN & JACKSON, the discount retailer which operates the Poundstretcher stores, yesterday reported continued progress in its three-year recovery programme.

The group, which has undergone a management shake-up and financial restructuring in the past year and has reverted to a December year-end, reported a pre-tax profit of £987,000 on turnover of £241.9m in the 15 months to December 31.

The profit came after a £281,000 exceptional charge incurred in connection with the financial reconstruction.

There were losses per share of 0.3p and a token final dividend of 0.1p is proposed.

To provide a basis for comparison the group, which has also adopted the new FRS 3 accounting standard, has produced figures for the 12 months to December 31. In this period there was a pre-tax loss of £6.63m (£18.2m loss as restated) after net interest payments of £3.32m (£4.72m). Turnover fell to £157.3m (£201.9m) with continuing operations accounting for

£165.8m (£176.8m).

Commenting on the results Mr Ian Gray, chief executive, said cash constraints early in the year and the subsequent financial reconstruction made the year particularly difficult. The goal in 1992, which was achieved, was to survive and build a foundation for the future.

Sales in the core 230 Poundstretcher stores fell 7 per cent, mainly reflecting the cash constraints until the £15.6m proceeds of the share placing and open offer were received in June. This depressed both sales volume and gross margins.

In the second half the new management team began to implement a series of measures to improve profitability including stock reduction, withdrawing from unprofitable product areas and holding price levels in the "patchy" market.

In the Christmas quarter, which traditionally accounts for most of the profits, sales were 8.3 per cent lower but the gross margin was the same as the previous year.

After peaking at £27m in February last year, the group's highly seasonal borrowings fell to £3.2m at year-end. Net borrow-

ings of £9.9m (£22.5m) represented gearing of 52 (£22) per cent.

Mr Gray and Mr Bob Ellis, finance director, noted that there had been some limited evidence of economic recovery with Poundstretcher sales running about 5½ per cent ahead of last year.

COMMENT

After rescuing Brown & Jackson from the brink of receivership the new management is getting back to retailing basics. Management and merchandising systems have been introduced at Poundstretcher for the first time in order to leverage the group's aggregate 1.3m sq ft of retailing space. By the end of July all the stores will have electronic point of sale systems, stores are being refurbished and a new trading strategy is already in place. So far the results are on track and the signs are hopeful, but there is still much to do. Depending on the economy the group may manage little more than to break-even this year, but that would be no mean achievement. The stock has crawled back up to 15½p from its low of 24p at the end of 1991.

NEWS DIGEST

Scottish Asian assets ahead 28%

SCOTTISH Asian Investment, managed by Murray Johnston, reported net asset value per share increased by 28 per cent, from 88p to 88p, in the six months to January 31, helped by sterling's devaluation.

This, together with a continued narrowing of the discount to net asset value since the move onshore from Jersey early last year, resulted in the share price jumping by 41 per cent over the period, from 54p to 77p. The shares were unchanged yesterday at 88p.

Commenting upon the results directors said the period was notable "for the wide divergence of perfor-

mance in Far East stock markets, most notably those of Hong Kong, South Korea and Thailand."

After changing its domicile the trust is now planning a 4-for-1 scrip issue to improve liquidity. The proposal will be discussed at an extraordinary meeting on May 4.

BAT chief sees pay rise to £980,679

Sir Patrick Sheehy's pay as chairman of BAT Industries rose from £638,416 to £980,679 in 1992, the annual accounts showed.

Of this, £356,250 was performance-related, against £57,970 last year. Total directors' emoluments were £6.4m (£6.6m), of which £2.1m (£200,000) was performance-related.

The group reported a 68 per cent advance in pre-tax profits to £1.66bn in 1992. Earnings

more than doubled to 58.7p and the dividend was up 11 per cent at 37.2p.

Beales Hunter £1.5m purchase

Beales Hunter is extending its refrigeration business into southern England through the acquisition of the business and certain assets of JT Herbert, a refrigeration and mechanical business based in Kent, for a maximum £1.5m.

The initial consideration is £240,000 cash, and further payments depend on profits over the next three years.

GRE expands with £8m acquisition

Guardian Royal Exchange is paying £8m for the healthcare and personal lines insurance business of Orion Insurance.

The vendor is Nationale-Nederlanden, the insurance arm of the International Nederlanden Group.

The operations have a combined premium income of more than £100m. The purchase does not include Orion's London market insurance business.

BET £8.5m disposal to Anglian Group

BET has sold New England Windows for £8.5m cash to Anglian Group.

New England is a specialist in the public sector replacement PVCu window and door market. The consideration includes a goodwill element of £6.25m.

In the year to March 28 1992 New England earned profits before interest and tax of £1.15m. It has factories in Basingstoke, Nottingham, Rochdale and Maesteg.

Aspen improves to £1.83m

By Nathalie Lemoine

ASPEN Communications yesterday reported a 7.3 per cent increase in pre-tax profits to £1.83m for 1992, on turnover up 8.3 per cent at £280.3m.

The profit was struck after exceptional costs of £510,000 (£440,000) for bad debts and redundancies.

The marketing services division had another difficult year with a severe downturn in Paris, but added new contracts such as Seal's direct marketing worldwide.

The group started building higher margins activities, such as direct mail products and a magazine joint-venture with the Post Office aimed at older people, said Mr Henry Meakin, chairman. Supplying electronic inflight entertainment to British Airways is a sizeable development for the future, he added.

Gearing was down to 29.6 per cent at the year end, against 35.7 per cent in 1991.

The proposed final dividend is up by 32 per cent at 2.9p, for a maintained total of 4.9p payable from earnings per share of 8.6p (8p).

BM's share price continues to slide

By Jane Fuller

THE SHARE price of BM Group, the construction equipment group, fell another 5p to 42p yesterday after news emerged of mounting debts and losses.

The group is set to announce a survival plan, involving disposals to cut debt, alongside its half-year results. Its market value has fallen to about a tenth of last year's peak of nearly £400m.

Some editions of Saturday's Financial Times carried details of the group's worse-than-expected financial state. It is set to breach banking covenants on interest cover and gearing.

By June 30, net debt is expected to have doubled to more than £120m, resulting in gearing of more than 100 per cent. Part of the equation is the sale in shareholders' funds from £17m last June to an estimated £130m.

This would follow 1992-93 pre-tax losses of about £30m, compared with last year's record £34.6m profit on sales of £519.5m. The main component is forecast to be exceptional costs of £40m to cover such things as restructuring and the disposal of loss-making

businesses.

The balance sheet will also take in a write-down in the value of the pension fund, which had been subjected to some aggressive accounting.

The survival plan includes slimming down the group to leave turnover at less than £400m. Among the planned disposals to reduce debt is a 75 per cent stake in British Building and Engineering Appliances. The dividend is certain to be cut.

The share price collapsed last June after the resignation through ill health of Mr Roger Shute, its founding chairman.

A root-and-branch review of the formerly acquisitive group's operations has been carried out under Mr Moger Woolley, the new chairman, against the background of declining sales.

TR Far East Income

TR Far East Income Trust's net asset value at February 28 showed a gain of 57 per cent to 144p compared 99.5p a year earlier. Earnings per share for the six months declined to 2.2p, against 2.3p. The second interim is 1.2p.

All of the stock having been placed, this announcement appears as a matter of record only

March 1993



Bank of Ireland

The Governor and Company of the Bank of Ireland
(Established in Ireland by Charter in 1783, and having limited liability)
Registered in Ireland No. C-1)

4,000,000 Units of
Non-Cumulative Irish Pound
Preference Stock, Series A,
of nominal value IR£1.00 each

Issue Price IR£10.22
per Unit of Preference Stock

Stock placed
by
J&E Davy

Member of the International Stock Exchange and the SFA

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COMPANY NOTICE

THE ROYAL BANK OF CANADA

U.S. \$350,000,000 Floating Rate

Debentures due 2005

In accordance with the Terms and Conditions of the Debentures, the interest rate for the period 21st March, 1993 to 30th April, 1993 has been fixed at 3 1/8% per annum. On 30th April, 1993 interest of U.S. \$2,780,333 per U.S. \$1,000 nominal amount of the Debentures will be due for payment. The rate of interest for the period commencing 30th April, 1993 will be determined on 28th April, 1993.

Agent Bank and
Principal Paying Agent
ROYAL BANK OF CANADA
EUROPE LIMITED

LEGAL NOTICES

LIQUIDATION s.a. PETRUSSE SECURITIES INTERNATIONAL

Par jugement en date du 4 mars 1993 le Tribunal d'arrondissement de et à Luxembourg, chambre, séant en matière commerciale, statuant contradictoirement, le Ministère Public entendu en ses conclusions, a déclaré dissoute la société anonyme PETRUSSE SECURITIES INTERNATIONAL (PSI), établie à Luxembourg, 13, rue Bertholet, et en a ordonné la liquidation, a désigné applicables les dispositions légales relatives à la liquidation de la faillite, a nommé juge-commissaire Madame Maryse WELTER, Vice-Présidente au Tribunal d'arrondissement de et à Luxembourg, a désigné comme liquidateur Maître André Th. RIES, avocat-avoué, demeurant à Luxembourg, et a dit que le jugement est exécutoire par provision.

Pour extrait conforme.

Me André Th. RIES

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FINANCIAL TIMES
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DAEWOO TELECOM

NOTICE

To the Holders of the outstanding

USD \$2,000,000

3 1/2 per cent Convertible Bonds Due 2005

(the "Bonds")

of

DAEWOO TELECOM LIMITED

(the "Company")

NOTICE IS HEREBY GIVEN to the holders of the bonds that the Stock Dividend of 3% was approved by a General Meeting of Shareholders held on 26th February 1993. Pursuant to the provisions of the Trust Deed constituting the Bonds the Conversion Price of the bonds has been adjusted as a result of the dividend in shares from Won 24,932 to Won 24,447 effective from 1st January 1993.

March 1993

Daewoo Telecom Ltd.

COMMODITIES AND AGRICULTURE

New rubber pact rejected by EC

By Kieran Cooke, in Kuala Lumpur

IN WHAT appears to be a head on clash between rubber producer and consumer countries, the European Community has said that it is unwilling to renegotiate a new international Natural Rubber Agreement (Inra).

The present Inra is the second since pricing mechanisms for the natural rubber trade were set by producer and consumer countries in the late 1970s. It expires at the end of this year.

Producers, upset by continued low prices, want consumer countries to negotiate a new pact. They set the end of March as a deadline for consumer countries to declare their willingness to negotiate a new agreement.

A statement yesterday from the European Commission in Brussels said that the EC saw

no alternative but to vote against renegotiation of Inra.

It accused the rubber producing countries of failing to abide by price review provisions laid down in the existing pact.

It is not known what decisions on Inra have been taken by other big consumer countries, in particular the US and Japan. In the past the US has been unwilling to agree to any renegotiation of Inra.

Malaysia, Thailand and Indonesia account for nearly 80 per cent of world natural rubber production.

They - along with Sri Lanka and the Ivory Coast - are the producers involved in the Inra pact.

Earlier this year the Inra producers warned that if the consumers did not agree to renegotiate the organisation would collapse. Producers would then be forced to bring in their own pricing mechanisms.

Comex open to any rescue bid approach

By Laurie Morse in Chicago

THE SEARCH by the New York Commodity Exchange (Comex) for a white knight to help shore up its flagging business has taken a new turn. It is now ready to entertain all offers in what appears to be a tactic aimed at forcing the Chicago Board of Trade to sweeten its takeover bid.

Executives of the CBOT, the world's largest futures exchange, and the Comex, the largest US metals market, surprised everyone, including most of their members, when they announced merger plans in January.

Since then, negotiations have taken a sour turn with some Comex members seeking to oust their chairman Donna Redel, the plan's main proponent.

Comex negotiators are frustrated by the CBOT's staunch

refusal to allow Comex members access to the CBOT's popular grain and financial contracts.

The CBOT has proposed buying out the metals exchange with the future stream of Comex profits - an essentially riskless transaction - and keeping the two exchanges' product lines and memberships distinct.

Last week the committee hammering out the details of the plan waived its exclusivity clause, allowing Comex to address other offers.

At nearly the same time, the embattled Ms Redel stepped down as chief negotiator of the CBOT-Comex deal, while retaining her duties as exchange chair.

The move may diffuse membership dissent against Ms Redel, while allowing her to step back from the CBOT alliance to weigh other offers.

EBRD in Russian gas study

By Leyla Boulton and John Lloyd in Moscow

THE EUROPEAN Bank for Reconstruction and Development is organising an \$8m study for the rehabilitation of Russia's gas pipeline network to cut back on waste equivalent to Belgium's annual gas consumption.

Dr Mark Tomlinson, responsible for energy policy, said the study on combating leakages and low pressure accounting for the loss of 15 per cent of Russia's gas output would be followed by the awarding of contracts to fix the problems.

EBRD's board has already approved five loans in the oil and gas sector amounting to a total of \$250m (\$419m), and is mobilising an additional \$250m in western private sector funds. But the money has yet to be disbursed.

Guarantees have yet to be worked out with the Russian authorities. In addition there has been the problem of the World Bank's "negative pledge" requirement not allowing Russia to pledge resources as collateral to any institution except itself.

Saying rapid action was necessary to support Russian reformers, Mr Jacques Attali, the EBRD's president, told a news conference in Moscow that he hoped the negative pledge question would be sorted out with the World Bank in the next few weeks.

Mr Ron Freeman, the bank's first vice-president, said there were also outstanding problems over Russia's legal and tax regimes which needed to be sorted out to attract foreign investment.

He said that Mr Boris Fyodorov, the deputy prime minister for economics and finance, was talking to western oil companies in Moscow in order to try and remove those obstacles to reviving the sector.

The five loans include a project with Conoco in Russia's constituent Komi republic, and another with the US oil company Anderson and Japan's Itochu.

Mines give way to condominiums

Kieran Cooke on why one Malaysia's tin industry has been in steep decline

ON THE outskirts of Kuala Lumpur a condominium project called "The Mines" is nearing completion.

The site was once one of the area's biggest tin mines. Malaysia's tin mining industry - once a vital part of the economy - is rapidly disappearing. These days mine owners find real estate development far more lucrative.

Last year Malaysia's production of tin concentrates was 14,338 tonnes, down from 20,710 tonnes a year earlier. The 1992 production figure was well below the figure earlier estimated by the Ministry of Finance (18,000 tonnes), indicating that the decline of the industry has been a good deal faster than expected.

Rising production costs and the depletion of high grade tin reserves have contributed to the fall-off in production. But low prices on the international market are the key factor.

In 1991, Malaysia was earning between \$832 (US\$12) and \$834 per kg for its tin on the international market. Prices now seem stubbornly stuck round the \$814 mark. Malaysia's average production

costs are estimated at \$816 per kg.

Mr Hew See Tong, president of the All Malaya Chinese Mining Association, says production is likely to fall further. "The industry is doomed if current prices and demand continue. Many miners will not be able to sustain operations."

Malaysia's economy grew by more than 8 per cent in each of the last five years. Labour shortages and consequent rising wages are forcing more and more mines to close. In 1990 there were 141 tin mines in Malaysia. Now there are less than half that number.

Tin mining has been going on in one form or another in Malaysia for centuries. Until recently, the country was the world's premier producer. In the mid-19th century large tracts of land were given over to tin concessions. Chinese immigrants flooded in to work the mines. By 1900, Malaysia - as it was then - was producing 50,000 tonnes of tin each year, more than half the world's output.

In the 1960s annual production was up to between 60,000 and 70,000 tonnes. In 1913 there

were 200,000 employed in the tin industry. In 1980 the number had declined to 39,000. Now only about 4,000 work in the tin mines.

The critical year for the worldwide tin industry was 1985 when the international tin council's buffer stock operations collapsed and more than 100,000 tonnes of stockpiled tin was released on to the market. Prices went through the floor and tin mining operations round the world - particularly those involved in high cost hard rock mining - were forced to close down.

Some low labour cost countries - notably Brazil, China and Indonesia - encouraged by the high pre-1985 prices, had raised output. All three are now bigger producers than Malaysia.

Quotas on tin exports introduced by the Association of Tin Producing Countries (ATPC), do not seem to have had much effect on international pricing. The ATPC links Australia, Bolivia, Indonesia, Malaysia, Nigeria, Thailand, Zaire, and countries which together account for about 60 per cent of world production.

But Brazil and China are not members.

Hopes for a tin market revival in 1992 proved to be ill-founded. Prices in Kuala Lumpur did rise in mid year to the \$818 per kg mark. But Malaysia's miners - who saw more lucrative investment opportunities in other sectors of the economy - did not rush to re-open mines. Their caution was justified. The price quickly dropped back to under \$813 per kg by the end of the year.

Increased tin sales by China was one cause for the price

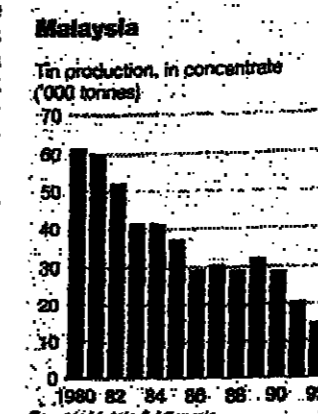
decline. There was also nervousness about plans by the US Defence Logistics Agency (DLA) to sell some of its substantial tin stockpile.

Malaysia's problems were further compounded by the strengthening of the Malaysian dollar against the US currency which caused local tin prices to be at a premium compared to the price on the London Metal Exchange. In consequence, foreign buyers tended to stay away from Kuala Lumpur.

There are some brave miners who are determined to carry on one of Malaysia's oldest industries. One of the country's most extensive mines, Sungai Lembing in Pahang on peninsula Malaysia's east coast, has been reopened.

But many others have turned their backs on the industry. The Berjaya company, once Malaysia's biggest tin mining operator, is now planning to diversify into brick manufacturing.

Meanwhile miners watch their industry disappear - with mining sites turned into condominiums for Malaysia's newly affluent.



Source: Metals & Minerals Research Service

Lumpur did rise in mid year to the \$818 per kg mark. But Malaysia's miners - who saw more lucrative investment opportunities in other sectors of the economy - did not rush to re-open mines. Their caution was justified. The price quickly dropped back to under \$813 per kg by the end of the year.

Increased tin sales by China was one cause for the price

Salesmen can still give value for money

Provision of expert advice is a way for representatives to win friends and business

I HAVE always had some sympathy with the farmer who erected the sign at his gate saying: "We shoot every third salesman. The second has just left."

It was, of course, a humorous way of informing representatives passing by that the farmer had no wish to talk to casual callers who would merely waste his valuable time. It implied that there was no chance of a stranger drumming up new business because committed relationships with existing suppliers were already in place.

Another sign which can still be seen on many farm gates reads: "Representatives by appointment only". In practice, these days not many try the cold call approach. Their more professional attitude is without doubt one of the results of the decline in farm profitability and, with it, harder times for those who supply the industry's requisites. There are far fewer people trying to sell to the farming industry than there were. Each of them has to plan his or her activities more carefully.

It has been estimated that there are 9,000-10,000 agricultural representatives on the road at present - about half the number 20 years ago and

FARMER'S VIEWPOINT

accepted training procedure. Achievements are normally measured only by the quantity of sales made which, on the face of it, is the most important measurement of performance in the short term.

Those salesmen who are particularly successful can usually only progress through their company's hierarchy and salary scale by leaving the job they are probably best at and going into management. All too often companies lose a good salesman and gain a mediocre manager.

With 350 salespeople on the road, Dalgety, the UK's biggest independent supplier of the complete range of farmers' requirements, is more aware than most companies of the inadequacies of traditional management and motivation of sales forces. It has, therefore, decided to develop its own training and certification scheme for salespeople.

To increase the value and significance of the scheme Dalgety approached Oxford Assessment, an independent department of the University of Oxford, to help produce appropriate training and appraisal procedures for each sector of their business.

Dalgety and Oxford Assessment believe that this is the

first UK agricultural supply company to develop standards for its sales force and have them independently evaluated.

Fifty Dalgety representatives are so far reported to have embarked on the scheme, encouraged no doubt by the promise of higher salaries and bigger perks on successful completion. But the benefits do not stop there, according to Mr Don Phillips, the company's sales and marketing director.

He claims that his salespeople are showing signs of greater job satisfaction because their competence is being recognised by factors other than just sales turnover. He is convinced this will lead to better penetration of the market and bigger sales for Dalgety - both of which he regards as vital to his company's future prosperity.

Mr Phillips predicts that British agriculture will soon be unable to support even the present depleted number of salesmen serving it and that half the jobs which exist today will disappear over the next few years.

Free advice for farmers is becoming a rarity as even the government's previously complimentary advisory service goes commercial and the Dalgety initiative is therefore

timely.

Many farmers are having to do an increasing amount of the physical work on their holdings themselves, often single-handedly, and simply do not have the time or energy to keep fully up to date with the mass of EC regulations and new technical information affecting their livelihood.

Any salesman who can short circuit and interpret some of the paperwork helping his customers to stay the right side of both the law and the subsidy base of the Common Agricultural Policy, while producing better crops or livestock will be welcome on many farms. Supplies purchased from the same salesman will cost a little extra. But I would be surprised if other supply companies did not think it worthwhile to follow Dalgety's lead.

As farmers' lives become steadily more complicated and specialised knowledge becomes more vital, as other sources of information dry up, many farmers are looking for expert advice.

The fact that help from a supplier may not always be entirely independent will be overlooked if the quality of the counsel is basically sound. Even farmers know there is no such thing as a free lunch.

PNG accuses CRA mining group

Kevin Brown in Sydney

PAPUA NEW GUINEA (PNG) yesterday accused CRA, the Australian mining group, of acting provocatively by withdrawing staff from its Mount Kara alluvial gold mine in the isolated highlands area.

CRA, a 49 per cent subsidiary of RTZ of the UK, evacuated its 15 remaining staff from the mine on Sunday, claiming

that threats of violence had been made by armed local landowners.

Operations were suspended last month for the third time since production began in 1990. CRA says the mine has been attacked three times by landowners, some armed with rifles and shotguns.

However, Mr Masket Langallo, mining minister, said the withdrawal followed a dispute

over an outstanding debt between CRA and the receiver-manager of the landowners' company, Kara-Puga Development Corporation (KDC).

"I have been advised that no landowners have entered the [mine] camps and no property has been damaged, and that law and order is being maintained," Mr Langallo said in a statement released in Port Moresby.

WORLD COMMODITIES PRICES

MARKET REPORT

London's robust COFFEE fell steadily in the morning after opening down as expected against New York, which fell steeply on Friday.

When the New York market again found the going sticky on its opening yesterday, London's May contract briefly tested a new recent low at \$872 a tonne before

retrieving \$872 per tonne - its bottom of two weeks ago. There was some confusion over the likely impact of any failure of the ICO talks on a new international coffee pact, due to finish tomorrow, to reach agreement.

Base metals edged away from London Markets

SPOT MARKETS

Crude oil (per barrel FOB May) +0.08

Dubai \$16.32-3.30 +0.08

Brent Blend (dated) \$18.02-8.50 +0.05

Brut Blend (May) \$18.02-8.50 +0.09

WTI (1st cut) \$20.44-0.40 +0.05

Oil products

INVE prompt delivery per tonne CIF +0.08

Frankfurt Gasoline \$203-204 +1

Gas Oil \$177-178 +1

Heavy Fuel Oil \$176-77

Heptane \$174-176 +1

Petroleum Argus Estimates

Other

Gold (per troy oz) \$391.85 -0.80

Silver (per troy oz) \$73.56 +1.5

earlier lows during afternoon LME trading, although prices mostly closed lower, reflecting overall depressed sentiment. Dealers said three-month COPPER continued to hold just above \$2,180 a tonne, but was little to push much higher, following Friday's technical breakdown.

News that mining sources in Zaire expect the country's 1993 copper output to fall to 80,000 tonnes, compared with 150,000 tonnes, had little impact as European traders are used to irregular supplies from Zaire.

Compiled from Reuters

COCAOA - London FOX \$/tonne

Close Previous High/Low

Mar 895 877 892 890

May 895 897 894 887

Jul 704 695 705 700

Sep 717 715 718 713

Dec 736 733 736 730

Mar 756 752 753 750

Turnover: 1221 (854) lots of 10 tonnes

ICO indicator price (\$/cwt per pound) for Mar 28: Cash, daily \$5.01 (\$4.48) 15 day average \$4.70 (\$4.59)

COFFEE - London FOX \$/tonne

Close Previous High/Low

Mar 910 890 895 903

May 873 890 877 870

Jul 844 858 848 840

Sep 855 865 850 855

Nov 870 882 874 870

Mar 882 883 880 882

Turnover: 2602 (2075) lots of 5 tonnes

ICO indicator price (\$/cwt per pound) for Mar 28: Cash, daily \$5.01 (\$4.48) 15 day average \$4.70 (\$4.59)

COFFEE - London FOX \$/tonne

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Turnover: 2602 (2075) lots of 5 tonnes

REPUBLIC OF SLOVENIA

Tuesday March 30 1993

Though the country has suffered economically from the disintegration of Yugoslavia and the war in the Balkans, independence has given its 2m inhabitants the opportunity to build an open market economy and democratic institutions, writes Anthony Robinson

The Balkans' lucky ones

SLOVENES always had at least as much in common with their Alpine neighbours as with their Balkan partners in the former Yugoslavia. Since Slovenia's declaration of independence in June 1991, the gap between the peaceful, ethnically homogeneous new republic of 2m people and the war-impoised rest of former Yugoslavia has widened inexorably.

"We have been very lucky," says President Milan Kucan, the wily former communist who led Slovenia's drive for independence from the Serb-dominated federation. But he, like Mr Janez Drnovsek, the prime minister of Slovenia's three-pronged coalition government, makes clear that Slovenia suffers economically from the disintegration of Yugoslavia and would be one of the principal losers from a resolution of the bloody Balkan imbroglio.

"Slovenia's southern border with Croatia has become the border between peace and war in Europe," Mr Kucan declares. A glance at the map shows what he means. At its narrowest point, only a 46 km long strip of Slovenian coastline separates Italy from the rest of former Yugoslavia. Austria is insulated from the war-torn regions of Croatia and Bosnia-Herzegovina, both once ruled by the Austrian Habsburgs, thanks to its own 324 km-long border with Slovenia.

But Slovenia would hate to be perceived merely as a convenient *cordon sanitaire*. The new Karavanke road tunnel beneath the Alps, completed just before the 10-day war between Slovenia and the Yugoslav army which immediately followed independence, has underlined Slovenia's traditional importance as a transit route.

The railways and the motorway leading south through the capital Ljubljana to the Slovenian port of Koper and its Italian neighbour Trieste carry freight and travellers heading to and from central Europe and the Adriatic sea. The highway is

also thick with aid trucks and an ever-decreasing volume of "normal" cargoes moving south-east towards Croatia.

Independence has, above all, brought peace to Slovenia and left it free to implement the kind of rational market reforms and privatisation policies which remain blocked in the republics absorbed and impoverished by war further south.

Economists, however, are quick to point out that independence has its costs. Slovenia, with its self-contained infrastructure and proximity to western markets, was always by far the richest republic of the former federation. Its per capita GDP of around \$6,000 was three times higher than that of Serbia and five times that of Kosovo, the poorest region of the former Yugoslavia.

Slovenia has always had a strong tourism industry of its own. But it also benefited from the overnight stays of foreign tourists heading further south to Croatia's Dalmatian coast. Now the once-thriving seaside hotels are filled with disconsolate refugees and Croatia's main source of hard currency income has disappeared. So have the transit tourists through Slovenia.

Above all, Slovene enterprises were able to build up exports to the rest of Europe, thanks to the volume of sales they were able to make in Yugoslavia which virtually

lower real wages and increase productivity in order to compensate.

On the positive side of the balance sheet, however, the end of the federal state means that Slovenia no longer has to contribute over \$1bn a year to finance the bloated Yugoslav army or see its hard currency deposits "frozen" by the National Bank of Yugoslavia, as happened before independence.

- ☐ The economy has to adjust
- ☐ Banking reform; Stock ExchangePage 2
- ☐ Industrial profilesPage 3
- ☐ Tourism: Bohinj is far from the battle
- ☐ The political scenePage 4

gave them a 22m strong domestic market.

The UN embargo on trade with Serbia means both the loss of the largest of the former Yugoslav markets and an end to cheap Serbian raw materials and other inputs. These helped restrain costs and improve competitiveness in more demanding hard currency markets. Now Slovenia has to

Relations with Croatia, Slovenia's southern neighbour, are generally good but they are complicated by three contentious issues.

The first of these is the border itself, which is disputed in parts. The second issue contains Croatia's share of the running costs of the Krsko nuclear plant on Slovenian territory. The plant was built

and financed jointly to supply electricity to both republics but financially hard-pressed Croatia is now reluctant to pay its share of the running costs. The third outstanding issue concerns compensation for the assets of Ljubljanska Banka in Croatia.

There is no nostalgia for the old Yugoslavia, which Slovenes tried without success to transform into a looser confederal structure. But a mixture of compassion for the suffering of their fellow southern Slavs and economic loss ensures that the Slovene authorities, while categorically ruling out any possibility of resuming old political ties with former Yugoslavia, pray, without much hope, for a quick and lasting solution to the conflict and the resumption of normal economic ties.

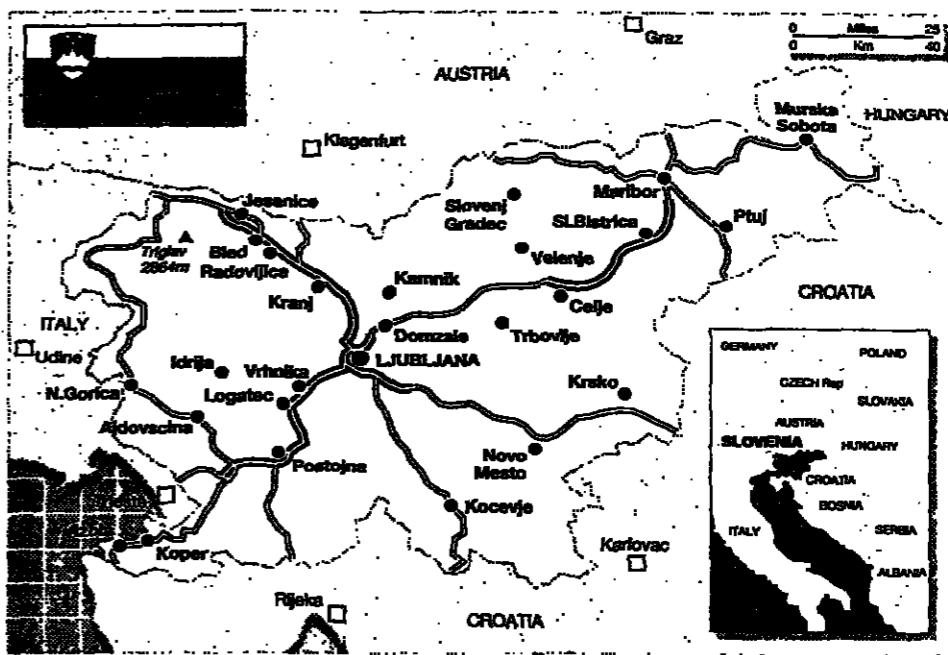
The war, with its violent and deliberate displacement of millions of people, has and is taking place in the ethnically mixed border lands of Croatia and Bosnia relatively distant from the Slovene border. Both Mr Kucan and Mr Drnovsek, who headed the old revolving Yugoslav state presidency for a



Janez Drnovsek, prime minister and Liberal Democratic leader

year before negotiating the exodus of the federal army from Slovenia in July 1991, criticise the failure of the west to intervene more forcibly to stop at an early stage what Mr Kucan calls "the war of aggression waged by Serbia."

The president is particularly scathing against what he calls the west's definition of the war in Bosnia as a civil or ethnic



KEY FACTS

Area	20,251 sq km
Population (mid-1992)	1,996,800
President	Milan Kucan
Prime Minister	Janez Drnovsek
Currency	Tolar
Average Exchange Rate (February 28, 1993)	\$1 = 1102.063, DM1 = 162.12

THE ECONOMY

	1991	1992
GDP per capita (estimate, US\$)	6,052	
GDP real annual change (estimate in %)	-9.3	-6.5
Industrial production (annual change, %)	-12.4	-13.2
Total employment (annual change in %)	-7.8	-7.1
Unemployment rate (in %)	8.2	11.6
Retail prices (annual growth in %)	247.1	92.9
Trade balance (\$m)	-257	161
Current account (\$m)	190	764
Foreign exch reserves (end of year, \$m)	365	1,163
Foreign debt (end of year, \$m)	1,865	1,741
Debt servicing ratio (in %)	8.0	7.4

Source: Bank of Slovenia

the largest single party with 25 per cent of seats in parliament, and the Christian Democrats led by Mr Lojze Peterle, the foreign minister. But the coalition also includes the four party "associated list", made up principally of reformed communists. This helps to give the coalition a wider parliamentary base.

The inclusion of the "left-wing" parties, with their traditional links to workers and the trade unions showed its value last month when they twice gave their assent to a new wages pact designed to reduce real incomes.

Independent economists calculate that average real incomes have to fall around 10 per cent from current levels of around DM650 a month if the Slovenian economy is to compete effectively for new markets in the west and attract foreign investment. Both are needed to reverse the rise in unemployment and build on the structural reforms to the banking system and privatisation which are currently under way.

The next four years will be crucial. But much has been achieved in the first 20 months of independence - including the establishment of a parliamentary democracy and a virtually convertible independent currency, the Slovene tolar, backed by strong reserves. The new republic is peaceful, internationally recognised and a member of the most important international institutions. By the end of the century it wants to be eligible for full membership of an enlarged European Community.

As elsewhere in the region, privatisation and other structural reforms are seen as laying the basis for the development of a self-confident middle class capable of ensuring that the democratic and economic reforms under way in Slovenia become irreversible.

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telefax +38(0)65 51226

Export Department
SALONIT ANHOVO - HOLDING, p.o.,
Anhovo, Kidriceva 20, 65001 Nova Gorica,
SLOVENIA
telephone +38(0)65 27 480,
telefax +38(0)65 27 468

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Representative office
Moscow
Russia
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REPUBLIC OF SLOVENIA 2

Anthony Robinson and Laura Silber on prospects for lower inflation and higher exports

Now the economy has to adjust

THE disruption of economic ties with former Yugoslavia, over 10 times its size, means that the small, export-oriented economy of Slovenia has been saddled with a severe adjustment problem.

War-impoised markets and the loss of cheap inputs from embargoed Serbia, coupled with low-wage competition from the former communist central European economies, have left Slovenia with a cost and, above all, income structure which is not justified by current levels of productivity and quality.

Per capita GDP dropped from \$8,658 in 1990, when the statistics were inflated by the cheap dollar, to \$6,320 in 1991 and \$6,052 last year. This is far below income levels in neighbouring Italy and Austria but much higher than Hungary, the Czech Republic and Poland, with which Slovenia now competes for foreign investment and for new markets in the recession-hit European community.

Incomes have not adjusted to two years of sharply declining GDP, which fell 9.3 per cent in 1991 and 6.5 per cent last year. The drop is due principally to a 12.4 and 13.2 per cent annual decline in industrial output over this period, and a steep decline in tourist revenue, the main source of hard currency income.

Wages and salaries, by contrast, rose around 20 per cent last year, reflecting the tradition, inherited from the former Yugoslav self-management system, of awarding pay increases unrelated to productivity.

In the past, this has led to rapid inflation and frequent devaluations. But the small team of key economic decision makers headed by Mr Mitja Gaspari, the finance minister, and Mr France Arhar, governor of the Bank of Slovenia, the central bank, are determined that the new republic should break out of the old ways.

"Stabilisation must be the main target, to get inflation



Mitja Gaspari, finance minister: republic must break with old ways



France Arhar of the central bank: target must be stabilisation

down to European levels. Otherwise, there will be no new foreign investment," Mr Arhar insists.

The principal burden of adjustment thus far, however, has fallen on the unemployed as needed structural changes,

resulting from privatisation and reform of the banking system, have not really begun to take effect. The unemployment rate rose to 11.6 per cent at the end of the year. It is currently 13 per cent.

Last month's tripartite talks between the government, the unions and "employers", represented in the Chamber of Economy, eventually agreed a wages pact designed to keep income growth below the rise in prices. But Mr Gaspari believes that Slovenia will achieve European-style inflation levels only when property relationships are clarified.

This requires the quickest possible transformation of companies with ill-defined "social capital" into private companies with definite owners and a clear interest in profitability. Until now, the employers' side has been represented by managers, not real owners.

Slovenia's privatisation law was approved in November but detailed regulatory legislation is not expected to be in place before mid-year. Each enterprise is responsible for drawing up its own privatisation proposal. These include various forms of management and worker buy-outs, but enterprises looking for foreign investment will have to draft their proposals more conventionally.

The government wants to privatise 400 enterprises this year and nearly 1,600 next year. It is not clear at this stage whether it will be able to achieve its ambitious target.

In the meantime, it has just drawn up a tight budget which aims to keep the budget deficit to 1.8 per cent of GDP. This means a deficit of around T21bn, equivalent to \$200m, in a budget of T291bn (\$2.9bn). Reaching this target, which

is compatible with keeping inflation down to around 1.6 per cent a month, or 30 per cent on an annual basis, will not be easy. More than 40 per cent of budget outlays are made up of salaries and building a new state is an expensive business. The army, for example, needs re-equipping to patrol and defend the new border with former Yugoslavia. Rising unemployment increases the demand for social safety net spending.

Independent economists, such as Mr Jose Mencinger of

the Ljubljana University law faculty, believe the economy is bottoming out and should stabilise or show small growth this year, provided the recession in western markets does not affect exports and tourism receipts too adversely. Last year saw a 3 per cent decline in imports, mainly inputs from former Yugoslavia, and an 8 per cent rise in hard currency exports, reflecting a modestly successful shift into EC and Efta markets. The result was a \$161m surplus on the country's \$11bn foreign

trade following a \$257m deficit in 1991, according to the central bank.

A modest trade surplus and a rebound in foreign tourist receipts after the collapse in 1991 contributed to a current account surplus of \$79m last year, compared with \$19m in 1991. Both helped push foreign exchange reserves sharply higher to \$1.2bn from \$365m at the end of 1991.

Exporters, squeezed by rising domestic costs and last year's effective 18 per cent revaluation of the Slovene tolar,

complain bitterly that government policy is squeezing margins to the bone and discouraging an export-led recovery.

The government remains deaf to their pleas, determined as it is to force enterprises to cut their cost base and become more productive. "Accumulating foreign reserves is tantamount to exporting capital. But it brings in a return of 8 per cent, and until structural reforms bite there are few ways of earning that kind of return on domestic investment," adds Mr Mencinger, a forceful advocate of floating the tolar and one of the architects of economic policy in the first post-independence government.

Looking ahead, the prospects look brighter. Slovenia survived a short but violent inde-

pendence war with an economy which has proved largely self-contained and with a good infrastructure, including a nuclear power station at Krsko and its own port at Koper on the Adriatic coast.

The new republic has managed to create a strong, virtually convertible currency backed by strong reserves and a low foreign debt of \$1.74bn. It has become a member of the main international financial institutions and laid down the legislative framework for privatisation, banking and other reforms. It now remains to build on this solid base and move ahead rapidly with the privatisation programme designed to provide the flexibility needed to reduce costs and develop new markets.

BANKING REFORM

Bond-for-debt swap

THE essence of the former Yugoslav self-management system was an incestuous relationship between credit-hungry enterprises and the captive banks which they ambiguously "owned". The legacy, in Slovenia and throughout former Yugoslavia, can be seen in debt-strapped enterprises and bank balance sheets stuffed with non-performing assets, write Anthony Robinson and Laura Silber.

The Slovenian banks were widely perceived as the most professional and competent in the former federation. But they shared many of the basic weaknesses of the old system and their post-independence performance remains distorted by bad debt and the effective confiscation of hard currency deposits transferred to the former Yugoslav central bank, the National Bank of Yugoslavia (NBY).

On January 27, however, the Slovene parliament passed a law which opened the way for banking reform by providing a state guarantee for special bonds to finance the restructuring of banks and savings institutions.

Reform starts from the assumption that eliminating the financial consequences of the previous system is a long-term project which will have to be financed by the Slovene taxpayer. The method chosen is through the issue of DM3.5bn, 30-year government guaranteed bonds with an 8 per cent coupon, payable quarterly.

The bonds will be swapped for specific portions of the bad debt held by commercial banks. The coupon payments will show up on bank income statements, replacing what until now have been accumulated losses.

The first bond-for-debt swap has been earmarked for Ljubljanska Banka (LJB), by far the largest of the 31 local and two foreign banks operating in the country. LJB accounts for around 50 per cent of the assets and liabilities in the Slovene banking system and handles around 70 per cent

of foreign financial activities. When its 13 "daughter banks" are included, the LJB group accounts for 75 to 78 per cent of total Slovene assets and deposits.

Reducing the hitherto preponderant share of LJB is one of the main objects of bank reform. "In future, we would like to see the emergence of four or five banks of roughly equal size as the basis of a competitive banking system," says Mr Mitja Gaspari, the finance minister.

The process has already begun with the hiving of SKB bank from the LJB group three years ago and the emergence of other former LJB daughter banks, such as Mariborska Banka, as potential core banks in the new system. The task of restructuring the LJB group has been given to Mr Marko Voljc, an experienced international banker. Mr Voljc, a 45-year-old polyglot, is a development banker who returned to Slovenia in September after 13 years at the World Bank. He was appointed as the bank's new chairman and chief executive on the same day as

the new bank guarantee law specifically singled out Ljubljanska as the key to reform of the banking system. Mr Voljc spent three years as the World Bank representative in Mexico before returning to Washington in 1990 as head of the Central America and Panama division.

For LJB, which is now 100 per cent state-owned, bad debt is less of a problem than those caused by the disintegration of Yugoslavia and the financial irresponsibility of the Serbian authorities in particular.

The NBY in Belgrade currently holds around DM450m of frozen Slovene hard currency funds and a further DM650m deposited in the LJB's Croatian subsidiary which were also frozen, and in effect spent, by Belgrade. The LJB in turn is seeking compensation from Zagreb for the seizure of its Croatian subsidiary.

Mr Voljc calculates that two-thirds of the bank's non-performing debt is represented by frozen foreign currency accounts, and only one third by the bad debt of Slovene and other former



Ljubljanska Banka: in need of competition

Yugoslav enterprises. This is significant because the Slovene state will refinance only the bad debts of Slovene enterprises through the new bonds.

In the meantime, the bank is methodically converting blocked hard currency accounts into new, convertible hard currency accounts. Most of the 33,000 such accounts were small, individual accounts and over 80 per cent of the small accounts up to DM3,500 have already been converted or are being converted at the rate of DM500 a month.

"In some ways, the problems are more difficult now than a year ago. But we now have a new government with a four-

year mandate and we are starting to concentrate on economic reform rather than political battles. The legal framework is in place and the government has the time horizon required for banking reform to work," Mr Voljc says.

What is more, Slovenia is no longer alone. The World Bank, limited in its assistance because of Slovenia's relatively high income, has earmarked \$150m to help bank reform and Slovenia has become a full member of the IMF, the European Bank for Reconstruction and Development and other institutions. Closer ties are also being forged with neighbouring Austrian and Italian banks in particular.

On balance, however, the Slovene authorities would prefer foreign banks to enter into joint ventures or take minority shareholdings in Slovene banks rather than set up wholly-owned subsidiaries. Banking, together with tourism, is precisely the kind of clean, high value added service industry on which Slovenia hopes to base the transformation of its economy.

Laura Silber

Small beginnings

THE Borza, Ljubljana's stock exchange, has steadily expanded since it was founded three years ago this week.

It is still small. But Mr Boris Snuderl, 33, vice president and chief operating officer, believes the law on privatisation, passed last November, should pave the way for future growth.

At present only eight of the 28 securities listed are stocks. The rest are bonds. Mr Snuderl expects another 200 companies to be listed when privatisation gets under way later this year.

Market capitalisation in 1992 amounted to DM547m. Annual turnover totalled DM435. Four listed securities matured in 1992, causing a drop in turnover in relation to the previous year. Mr Snuderl says daily turnover in recent weeks has been DM4m to DM5m. To date, the highest

one-day trading record was DM14m.

Daily turnover has increased since January but this is largely because of a decree which included trades between the 57 members of the stock exchange as part of turnover.

Mr Snuderl explains that plans to install an electronic trading system will help to expand the market and raise its efficiency. "All of our traders have to travel to Ljubljana twice a week. A screen-based system would make it easier," he says.

"There's no way you can cheat the electronic system. Once the trade has been entered you cannot pretend you bought it later in the day at a higher price," he adds.

Mr Snuderl says the Borza's young founders want to build up a fair market. "We started from nothing. We spent time

at the major European and North American stock exchanges and tried to pick out the best elements."

As a result, the Borza is a mini-amalgam of the Zurich, Paris and London stock markets. "We are close to Zurich because we have direct trading between the banks. But we are a three-level market like the Paris Bourse. On the other hand, like the London stock exchange, the Borza is not a state but a private entity."

Open for trading on Tuesdays and Thursdays, the Borza, on the sixth floor of the city centre, is crowded. But it will start to recognise its full potential only when - and only when - real momentum builds up behind the privatisation process.

Laura Silber

Privatisation helps SKB

SKB BANKA is an exception among Slovene banks - it has a clean balance sheet.

Founded in 1965 as a subsidiary of Ljubljanska Banka, SKB was responsible for housing and municipal construction loans. Under the banking reform law of the former Yugoslav federation, SKB - then known as Stanovanjsko-Komunalna Banka - broke away from Ljubljanska in January 1990 to become a joint stock company.

Some 700 Slovene companies and institutions, including the city of Ljubljana, now own shares in SKB. The original shares were withdrawn in 1992 and reissued.

They are now denominated in Ecus, with 30 per cent preferred and the remainder as regular shares. The second biggest Slovene bank, SKB is

now the only bank whose shares are quoted on the Borza, the Ljubljana stock exchange.

Mrs Ovetka Selsek, deputy general manager, believes privatisation of SKB has compelled management and employees to work harder and more efficiently. "They want to do as good a job as possible to keep up the value of the shares," she says.

Retail, corporate and trade finance, together with international banking comprise SKB's main operations. Its acquisition of a bankrupt subsidiary of Beogradskanska Banka, the Belgrade-based bank, has provided it with an extensive branch network.

While SKB has largely managed to avoid the pitfalls of the other Slovene banks, Mrs Selsek worries about 1993

when the process of banking rehabilitation begins in earnest. "If this will be the most difficult year I'd be happy. We are all eagerly waiting for the process to be behind us," she says.

Laura Silber

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Laura Silber reports on one of Europe's biggest breweries, now seeking international markets

Lasko is reaching out

LOCATED in a town of 5,000 inhabitants in the hills of eastern Slovenia, the Lasko brewery is one of Europe's biggest. Though it is seeking international markets, it is definitely not looking for foreign investment.

"We need to break into markets abroad. But we are in search of sales, not foreign investment," emphasises Mr Franci Jontes, marketing director of the brewery.

He and his colleagues fear that foreign competitors may try to buy out the brewery but only to close it down. It would not be the first time this has happened since Lasko was founded in 1825. "A German cartel bought out the shares and shut the brewery in 1927; we do not want to repeat the experience," he says.

"Local entrepreneurs rescued Lasko, which resumed production in 1933. But the Germans took over the factory during the second world war. A joint Allied bombardment hit the nearby railway bridge but also razed the brewery towards the end of the war," says Mr Gorast Setina, the public relations manager.

Confident that the black and gold label Zlatogor beer ranks among Europe's finest, Mr Jontes is hoping to boost foreign sales.

Slovenia's 2m citizens are fond of Lasko beer, but they cannot possibly drink more than a fraction of the 3.5m hectolitres (about 55m gallons) which the riverside brewery is capable of producing every year. Most of it used to be sold to former Yugoslavia, particularly Croatia whose Adriatic coast attracted millions of

thirsty tourists before the war. Lasko has been through trying times, but Mr Jontes admits the past few years have been among the toughest. The brewery is still reeling from the loss of its Yugoslav markets since 1991.

"Overnight, our sales dropped by 45 per cent," he says. Croatia, Slovenia's southern neighbour, accounted for 41 per cent of total sales in 1990, but only 7 per cent last year. Sales to Croatia stopped completely for six months after October 1991, when Slovenia introduced its new currency, the tolar.

Lasko was forced to cut costs, sacking 140 workers. Mr Jontes believes the current labour force of 490 will be reduced by another 25 per cent over the next three years.

He cites high customs duties to neighbouring Austria and Italy as a major obstacle to bolstering sales. "We need reciprocal customs duties. In Ljubljana, you can buy Gosec, a popular Austrian beer, as readily as Lasko. Gosec pays 37 per cent customs duty but we must pay 60 per cent to sell our beer on their markets," he complains.

Like many Slovene exporters, Mr Jontes believes the exchange rate of the national currency makes his job more difficult. "It does not pay to sell our product below a certain price. But inflation and the strong tolar cut into earnings."

Product recognition is also a problem. Mr Jontes says Lasko is working with Charlemagne Strategies, a London-based marketing firm, to help break into UK and other markets.

Exports accounted for 11 per cent of total sales in 1991, of which Croatia, Italy and Austria were the biggest markets. He says Lasko recorded a profit of DM4m in 1992.

But the drop in sales has forced Lasko to cut production. Last year the brewery produced 1.5m hectolitres, less than 60 per cent of capacity. Lasko's managers are strongly opposed to foreign ownership. The brewery is still socially-owned, which means that the workers own the company, instead of the state or private individuals. Under the privatisation law passed by the Slovene government in November last year, Lasko's workers have the right to buy out the majority of the company shares.

But the situation is not that simple. The prewar, pre-nationalisation shareholders have also demanded that their interests be taken into account. Mr Jontes expects to reach agreement in the near future over the division of shares with former owners.

The Lasko brewery is the biggest employer in the region. Over the past decade, it has acquired a local spa, hotels and a 12th century castle, Grad Tabor.

Set on a high ridge above the town, the castle affords wide views of the valley fields in the Savinja valley which provide much of the malt for Lasko beer. Mr Jontes sits in Grad Tabor, now a popular regional restaurant, sipping his golden Zlatogor and hoping for better times. "All we need is a fair crack of the whip and the quality of our beer will do the rest," he says.

IF YOU have ever eaten dinner in a Slovene home, chances are it was cooked on a Gorenje stove while the local blissing came out of a Gorenje refrigerator.

From its ultra-modern main factory at Velenje, close to the Italian, Austrian and Hungarian borders, Gorenje has long dominated the domestic market.

But the 2m Slovenes account for only 5 per cent of the company's total sales. Gorenje is Slovenia's exporter par excellence, sending 85 per cent of its output to 70 countries. It sells 60 per cent of appliances under Gorenje's own brand names, and the remainder under foreign labels, including General Electric, Bosch, Siemens and Electrolux.

Mr Franjo Bobinac, marketing director, says Gorenje's success stems from its emphasis on tight quality control and product development. "The directors of each division - refrigerators, cookers and washing machines - are responsible for product quality and development," he says.

"This year we will produce 23 new appliances - from fridges to stoves. Gorenje must constantly develop in order to remain one of Europe's top eight producers."

But Mr Bobinac admits 1992 was a difficult year. Profits were under severe pressure, totalling about 1 per cent of the turnover of DM990m, he says. Like so many Slovene businessmen, he blames the government for failing to stimulate exports, the bedrock of the Slovene economy.

"Gorenje needs additional export incentives from the government and interest rates should be lowered to

compensate for the strong tolar," he says. Mr Bobinac says Gorenje is undergoing changes which will help to streamline the company and reduce costs. About 1,000 workers have been sent away in the past three years. Like other exporters, he argues that the average monthly wage of DM600 is far too high to

"Belgrade has almost 2m inhabitants - as many as all of Slovenia"

keep his exports competitive. In an attempt to cut costs and prices, Gorenje plans to change the distribution network in major European markets, such as Germany, France and Austria. "We will make more direct sales," says Mr Bobinac.

The break-up of Yugoslavia hit Gorenje - not just in terms of losing markets. When Slovenia declared independence in 1991, the Yugoslav republics, especially Serbia, accounted for 30 per cent of all sales.

Although Mr Bobinac says Gorenje had formed its export orientation long before the disintegration of the Yugoslav federation, the loss of the Serbian market, the biggest republic in former Yugoslavia, has hurt especially hard. "Belgrade alone has almost 2m inhabitants - the size of all of Slovenia," he points out.

In addition to losing its captive markets, the disintegration of the federal state meant that Gorenje lost control of its factories, service outlets and stores in the other republics. Gorenje now has DM550m in outstanding claims against Serbia for the seizure of nearly 20 service centres.

Gorenje's production network extended to war-torn Bosnia-Herzegovina. The ongoing Serb siege of Bihać, in north-west Bosnia, has forced

it to stop producing 24-inch refrigerators at Bihać and relocate production to the main plant in Slovenia. The company does not even know what has happened to the plant at Tuzla, cut off by both Serb and Croat forces.

Company managers agree that Gorenje's survival hinges on its ability to generate future export-led growth. "We are boosting exports to the Middle East and South America. Sales to Iran, Mexico and Chile are growing significantly," Mr Bobinac says.

Gorenje is on the privatisation schedule. But that is likely to occur in a form which will insure continuing Slovene control of what most Slovenes regard as a "national jewel". Economists believe that most of the shares will end up with specially-created mutual funds as part of the mass privatisation programme. Others will be sold or distributed directly to Gorenje managers and workers, leaving only a minority to be sold on the open market.

Though foreigners have made inquiries about investing in Gorenje, Mr Bobinac doubts the government will allow them to buy out Slovenia's main export companies. "Gorenje is the only European brand name in Slovenia. I believe we are too important to become a foreign company."

Laura Silber

WINE

Bibulous appeal of fine design

SLOVENIA produces too little wine to make much impact in a world of wine lakes and over-production. But pouring drinkable wines into beautifully designed bottles is one of the ways the tiny Alpine country is trying to sell its products on foreign markets.

Slovenia produces about 521,000 hectolitres of wine a year. From the western Karst region and rieslings from the northern Slovensko are among the most famous.

A few years ago private vintners started to market their wares in bottles designed

by industrial artists and architects. The trend caught on as the larger state-owned vineyards followed suit.

Gently sloping smoky grey bottles or ovals with necks with elongated necks make a beautiful addition to any wine cellar or dinner-table. Mr Oskar Kogoj, a noted local artist, has designed a wide range of bottles. They and his other graceful creations can be seen in Regent Street, London from April 19 to May 5 at the Liberty's show on Slovene industrial design.

Laura Silber



The baroque charm of downtown Ljubljana

Profile: LEK

Capitalism is a bitter pill

A PLAQUE above the entrance to the Lek pharmaceutical company's elegant, 10-storey headquarters in the industrial suburbs of Ljubljana records the proud opening in 1991.

But 1991 was a bad year to take on board such an expensive addition to fixed costs. Former Yugoslavia was disintegrating into a patchwork of warring mini-states with inconvertible currencies and hyper-

inflation. Comecon markets, and especially the former Soviet market, were in a state of shock following the switch from the rouble to hard currency trade.

For Lek, like other Slovene exporters, these developments threatened the 40 per cent of sales which used to go to Yugoslav markets and much of the remaining 40 per cent of output exported to Comecon, third

world and other markets. The pharmaceutical industry has suffered less than producers of goods that can more easily be substituted or for which purchases can be deferred. But output from Lek's six plants fell 25 per cent last year, according to Mr Metod Dragomir, the managing director.

Higher domestic prices on the Slovene market helped boost local sales from 20 to 30 per

cent of the lower total. However, the rest of former Yugoslavia is now taking only 32 per cent of sales.

Pharmaceutical exports to Serbia are exempt from the UN trade embargo. But sharply declining real incomes, hyperinflation and inconvertible currencies mean that an increasing portion of the declining trade is taking place on a barter or semi-barter basis.

The unchanged 40 per cent of exports to other markets reflects limited success in switching trade from Comecon to western markets. Lek has licensing agreements with several western firms. These include Merck and Eli Lilly of the US, Fisons of the UK and Knoll of Germany, as well as a long-standing Bayer-Pharma joint venture with Germany. Most sales to western markets are generic drugs and bulk products.

The search for new markets and niche products for future growth has been accompanied by a cost-cutting programme and a 10 per cent drop in the labour force to 2,100.

Last year this helped Lek remain in the black with an 8 per cent pre-tax profit on turnover of about \$200m. But times are hard for small central European pharmaceutical companies such as Lek and Krka, its larger Slovene competitor.

Both face growing domestic competition from western firms and uncertain prospects for recovery in the once insatiable and undemanding markets of the socialist east.

To survive, they will need closer links with foreign drug companies. The firms these have skill to be defined. But once privatisation legislation is approved, the search for new partners, new products and new markets will intensify.

Anthony Robinson

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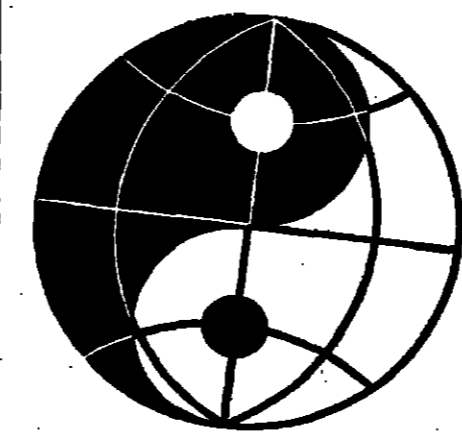
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REPUBLIC OF SLOVENIA 4

Laura Silber examines the prospects for the tourist in what remains an area of unspoilt beauty

Bohinj is still far from the battle

SNOW-SPECKLED slopes slide into the shores of a crystal lake. Wooden chalets dot mountain pastures. Giant evergreens and silvery birches line mountain paths. Is this Switzerland? No, it's Lake Bohinj in Slovenia.

Nestled in the Julian Alps under Triglav, Slovenia's highest peak, Bohinj, like nearby Bled and Kranjska Gora, boasts unspoilt beauty and year-round outdoor activities, from hiking to sailing.

It is easily accessible by car, aeroplane or rail and foreigners should be flocking to enjoy the Slovene Alps at prices some 30 per cent below those in neighbouring Austria.

But just about everyone in the tourist industry complains that the nearly 90,000 beds are not filled to capacity except at the height of the summer season.

Getting tourists to come back to Slovenia is a high priority. The country would appear to be a natural winner because from the Alps to the tiny stretch of Adriatic coast, Slovenia offers good value for holiday makers. Tourism was the single biggest earner in 1992, officially amounting to \$670m, but in fact well over \$1bn when private transactions are taken into account.

But Mr Jozsef Mencinger, an

economist at the Ljubljana law faculty, believes that tourism will probably never account for more than 10 per cent of Slovenia's hard currency earnings. "The mountains are too low - but at the same time they are too steep for real skiing. The 46-kilometre coastline is too short and Koper, Slovenia's only port, takes up 10 kilometres and needs to be

Foreigners shy away, associating it with the bloodshed in former Yugoslavia

developed further," he says.

Before the break-up of Yugoslavia, Slovenia was awash with tourists. In 1990, some 55 per cent came from abroad and the remainder from other parts of the country. Slovenia was often included in foreign package tours.

British tour operators, for example, used to book up hotels at Lake Bled for holiday makers en route to Croatia's Adriatic coast. Coach operators stopped in Slovenia as part of tours from northern Italy through to Austria.

Everyone in the tourist industry complains that Slovenia is nearly unknown. If it is known, foreigners shy away,

associating it with the bloodshed in former Yugoslavia.

Mr Miro Mulej, head of the Lake Bled tourist association, describes the surprise of foreign visitors when they visit Bled, a mini-Lake Como. "They envision tanks rolling down the streets. They don't understand we have a proper border with Croatia. Slovenia has had no violence since the 10-day war in June 1991.

"When foreigners arrive, they see we have everything. From natural beauty to exciting shops," Mr Mulej says of Lake Bled, which offers a wide range of activities from casinos to golf.

"But building a new image for Slovenian tourism is an expensive business," he adds. The high quality of the tourist information material put out by the industry and its operators reflects the effort to attract foreign holiday-makers. But Slovene tour operators are aware that their sophisticated, well-designed brochures will yield little until Slovenia is no longer part of Yugoslavia and that it is far away from the war.

Slovenia is listed in the Thomson tour catalogue, but so far there have been few advance bookings. In 1988, Slovenia was a favourite char-

ter spot for some 700,000 British tourists.

"We must forge a completely new identity: Slovenia as an alpine country. It is the opposite of the image of Yugoslavia with an Adriatic coast and islands," says Mr Mulej looking out at Lake Bled, which boasts Slovenia's only island, dominated by a beautiful Baroque-steeped church.

"We do not want mass tourism, but visitors who want to enjoy the spectacular surroundings."

Tourist officials have taken steps to forge a new image for Slovenia. Mr Bogo Umek, under-secretary for tourism, says: "About 52 per cent of Slovenia is covered with forests. We have the alps and seas, the Adriatic sea coast is decoration."

Mr Umek believes Slovenia's membership of the pentagonal Alpine Commission was an important step for tourism. Lake Bled last year was featured on the cover of the Commission's brochure.

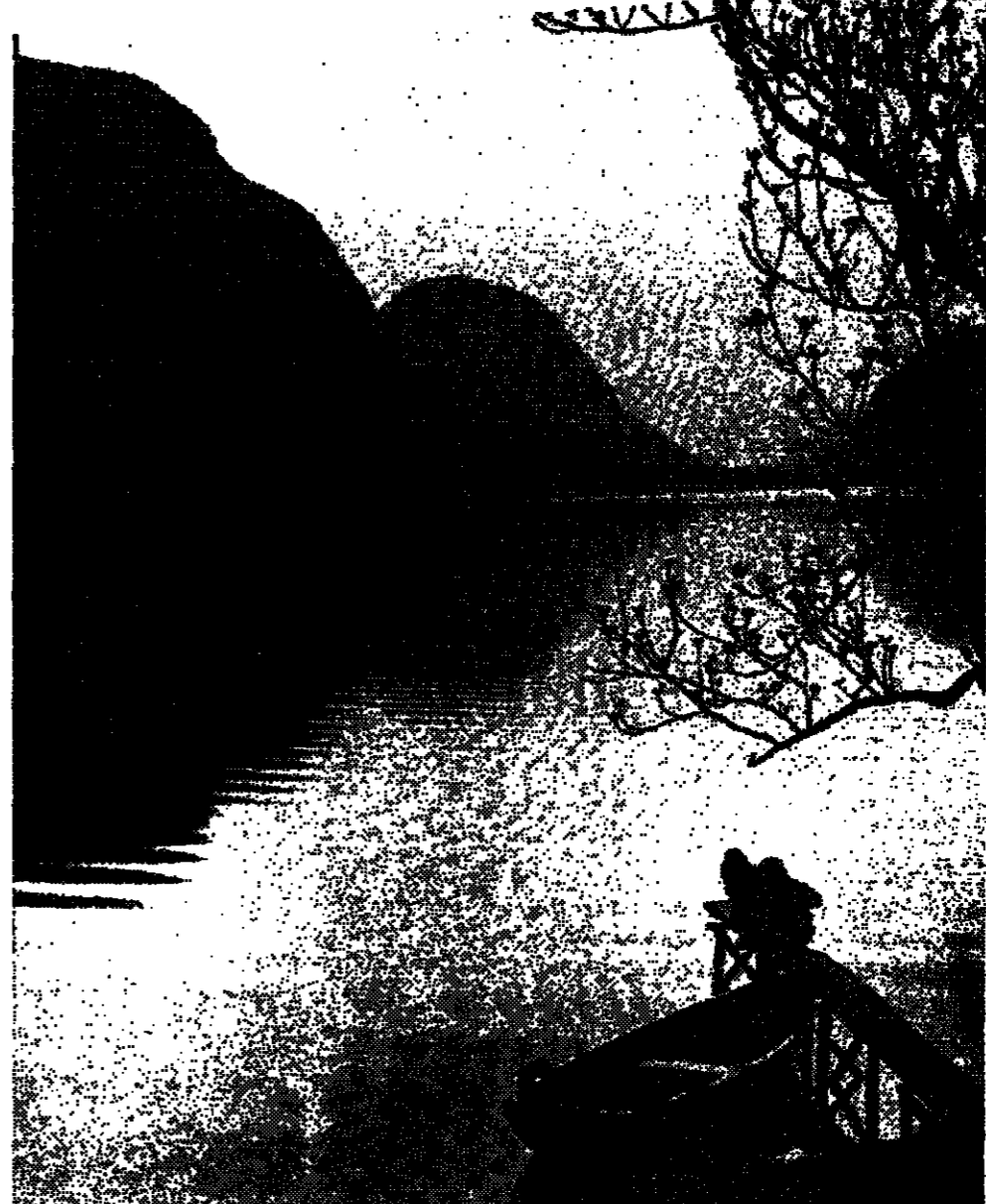
Slovenia is eager to emphasise individual tourism rather than the mass tours of the past. Mr Janko Humar, marketing director of Alpinum,

which owns and operates six hotels around Lake Bohinj, says: "Bohinj has some 1,000 beds. We do not want mass tourism, but individual visitors who want to enjoy the spectacular surroundings."

Over the past five years, Alpinum has upgraded its hotels, emphasising the quality of service, which was so often lacking for foreign visitors to the former Yugoslavia. "We teach the staff that service is a profession to take pride in," he adds. The staff at the charming Hotel Jezero, set on the shores of Lake Bohinj, is courteous and hospitable.

Rock-climbing and white-water rafting may interest some holidaymakers at Bohinj. The less adventurous can walk on the well-marked paths in Triglav national park or enjoy the annual festival - the dance of the cows - which marks the time when peasants take their stock up to the mountain pastures for the summer.

Kozolci, Slovenia's wooden hayracks - a tradition dating back to the 17th century - distinguish Lake Bohinj from Switzerland. But here, when holiday makers tire of swimming, skiing, or trout-fishing, they can hop in the car and after just an hour's drive, arrive at the short but lovely Adriatic coastline.



Lake Bled, near Bohinj, is a leading tourist attraction

Janez Drnovsek, the prime minister, talks to Anthony Robinson and Laura Silber

A modest leader's identity problem

THE LEADERS of newly independent Slovenia and Slovakia both think they have the same problem - that the world mistakes one for the other. Mr Vladimir Meciar, the Slovak prime minister, complains: "We are at the heart of Europe but no-one knows us. Foreigners always confuse Bratislava (the Slovak capital) with Belgrade (the capital of the warring rump of Yugoslavia), and Slovenia with Slovakia."

Mr Janez Drnovsek, the quiet-spoken polyglot who is the prime minister of Slovenia, has an additional problem. He is slightly miffed that people sometimes confuse Slovenia and Slovakia, but recognises that this is largely because the names of the two republics are so similar, especially when

written in their respective languages. Slovakia, for example, is called Republika Slovenska in the Slovak language.

But a more important problem for the 42-year-old Liberal Democrat leader is to ensure that there is no confusion between peaceful, newly-independent and ethnically-homogeneous Slovenia and Slovakia, rather than with Slovakia.

For Slovenia is the war-torn north-eastern region of Croatia whose Serb minority, backed by Serbia and the Serb con-

trolled army, revolted against Croatian independence in June 1991 and fought a bloody war which reduced such towns as

Drnovsek had to endure the humiliation of a pageant of Serb nationalism

Vukovar and Osijek to ruins and led to a mass exodus of ethnic Croats from the mixed areas. Slavonia is one of the

great victims of the war.

As President of the Yugoslav Federal Republic for the year ending May 1990, Mr Drnovsek saw first hand how the federal state withered in the hot breath of Serbian nationalism. Misha Glenny, in his recent book, *The Fall of Yugoslavia*, tells of the humiliation that Mr Drnovsek had to endure at the hands of Mr Slobodan Milosevic, the Serb leader, who invited him to an unrestrained pageant of Serb nationalism at the 600th anniversary of the

Serb defeat by the Ottomans at Kosovo Polje in June 1389.

This took place shortly after Mr Drnovsek assumed the chair of the revolving presidency, and must have convinced him early on of the doomed nature of the Yugoslav experiment. His official CV, which lists the important events of his presidency, records his attendance at the 200th anniversary of the French Revolution celebrations in Paris and the Independence ceremonies in Namibia. It does not mention Kosovo Polje.

Just two years after his public exposure to raw Serb nationalism, however, Mr Drnovsek was negotiating with Serb generals over the withdrawal of the federal army from Slovenia after its humiliating defeat in the 10-day "war" which followed Slovenia's declaration of independence on June 25 1991.

Slovenia gave the Titoist system its main ideological, in the shape of Edward Kardelj, but also its most pragmatic, reformist "communists." Mr Drnovsek was one of them. But in March 1992 he became president of the Liberal Democratic party, reviving a political tradition which dates back to the late 19th century when Slovenia spawned a number of

small Liberal and Christian Democrat orientated parties during the last decades of Habsburg rule.

A month later, Mr Drnovsek - a former construction company manager, banker and diplomat - became prime minister of the second post-independence government, replacing the government headed by Mr Lojze Peterle, the Christian Democrat leader, who is now foreign minister and deputy prime minister in the present government.

In December last year Mr Drnovsek led his party to victory in the general elections, emerging with 25 per cent of the seats in the 90-seat national assembly. A month later parliament approved his new coalition government of Liberals, Christian Democrats and the "associated list" of four left-wing parties dominated by reform communists.

This is the government now ruling Slovenia. "The main goal of our coalition is to create a stable government for the next four years and carry out our programme of modernisation," Mr Drnovsek says.

Ideologically, the coalition would be more consistent if limited to the Liberals and the Christian Democrats with their more rural-orientated, con-

servative support. "But this is a government which will have to do unpopular things, like reduce real incomes and restrain government spending. There will be strong pressures on the government and we decided to bring in the left wing. Right-wing nationalists, such as Mr Zmago Zelenec of the Slovenian National Party, accuse refugees of taking jobs and bread from the mouths of native Slovenes, but the party has now split into two factions and remains on the sidelines of politics."

At present, party loyalty and discipline are unreliable "but I hope that in the course of this parliament there will be a normalisation of the political scene," he says. "My party stands for western rules in both the economy and in politics. In future, our base will be in the middle class. I just hope that will prove to be enough," he adds.

The government's critics in the "associated list" parties accuse it of being slow to build a fair taxation system and complain about the emergence of a flashy "new rich" class. Most have got rich quick through trading, some of it shady and linked to the war, some of it organised through the exploitation of old women-

"This government will have to do unpopular things... So we decided to bring in the left wing"

klatura links with the former regime, says Mr Vojko Venskik, a reform communist.

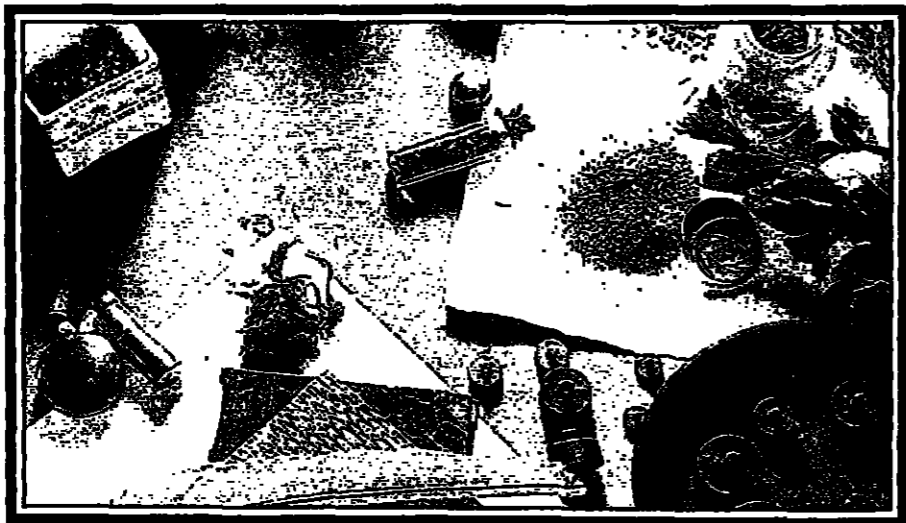
The left-wing parties voice similar complaints about privatisation, which is slow to get off the ground, and remains largely in the hands of the old "self-management" factory managers.

At the other end of the spectrum, rising unemployment and the erosion of workers' "historic social rights" have led to a fall in real incomes among the poor who are being wooed from left and right. Right-wing nationalists, such as Mr Zmago Zelenec of the Slovenian National Party, accuse refugees of taking jobs and bread from the mouths of native Slovenes, but the party has now split into two factions and remains on the sidelines of politics.

More jobs will be lost in such sectors as railways, steel and energy which badly need new management and an end to overmanning if they are to become competitive. The private sector is not yet vigorous enough to take up the slack and privatisation, initially, will lead to further job losses.

The problems facing the government are likely to get worse before getting better. But they appear to be manageable in this small, beautiful country close to European markets. Among Slovenia's plus points can be counted a strong currency, a tradition of skilled labour, a competent team of economic reformers in the key ministries and institutions - and a political class with modest leaders and realistic aims.

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Rate cut hopes stem fall in equities

By Terry Byland,
UK Stock Market Editor

THE DRUG stocks suffered another bout of selling in London yesterday, but losses elsewhere in the stock market had been largely recovered by the close of business. The final loss of 64 points on the FT-SE 100 index took it to 2,846.5, a fall of 11 points from its previous high of 2,857.5.

The stock market's attention swung back in the direction of interest rates after suggestions in the UK press at the weekend that Britain's building societies were considering raising interest rates, including mortgage charges, because of competition for savings deposits. Such a threat was seen as direct pressure on the UK government to deliver the cut in base rates expected by the City of London at Budget time, but discounted by Mr Norman Lamont, the chancellor of the exchequer.

The outcome of the French elections also put European interest rates in the spotlight again. UK investors continue to look to the Bundesbank for a lead to lower rates, although there were doubts whether any move would be made when the bank's policy-making committee meets in Frankfurt this week.

The new equity trading account opened with shares quickly under pressure as last

week's losses in Wellcome and Glaxo were extended. The technical breakdown prompted by ex-dividend quotations was soon joined by a sell-off in the stock index futures sector.

The Footsie was soon down by nearly 20 points at 2,833, although outside the pharmaceuticals there was little selling pressure. It was the absence of any big selling transactions, as much as any

other factor, which laid the basis for a steady recovery in the second half of the session. London was also buoyed by a good start on Wall Street, where the Dow Industrial Average was 24 points up in UK hours, as it responded to improvements in the latest data on consumer spending and home sales.

At the close, the fall in the FT-SE 100 index had been cut

to 6.4 for a final reading of 2,846.5. Traders were a little nervous at seeing the 2,850 support level lost, but remained confident that the institutions would soon move into equities if the Footsie dipped to the 2,820 area.

A more revealing picture of the day's trading came from Seaq volume of only 484.7m shares, compared with 734.9m on Friday. The paucity of insti-

tutional interest suggested that retail volume was low. Retail, or customer, business in equities was high all last week, and recorded a value total of £1.57bn on Friday.

The market was also suffering some indignation yesterday from last week's rights issues; "a rights too far" was the wits' comment. For the immediate term, the institutions have committed most of their available cash and their trading books are still holding the rights shares taken aboard.

A test of market confidence will come when two impending new issues reach the market-place. Heavy institutional interest was reported yesterday in the placing and intermediary offer for Hambro Insurance Services.

While most of the market lacked enthusiasm yesterday, properties remained firm as the signs of recovery in the sector continued to attract support. Retail issues, although traditionally influenced by interest rate hopes, remained close to pre-weekend levels.

TRADING VOLUME IN MAJOR STOCKS

Stock	Open	High	Low	Close	Change	Volume
Admiral	1,200	1,210	1,190	1,205	+5	100
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Admiral	1,200	1,210	1,190	1,205	+5	100

Based on the trading volume for a selection of Alpha securities dealt through the SEAG system yesterday until 4.30pm. Trades of one million or more are rounded down.

Wellcome sold again

PHARMACEUTICAL issues were hit heavily yesterday, the slide accounting for more than 8 points on the FT-SE 100 index. Wellcome was the principal casualty, tumbling 56p at one stage as it went ex a 48p dividend.

A number of UK securities houses have been taking the view that the sector is poised to recover, but worries ahead of proposed reforms in the US drugs market and general concern that margins are being squeezed held sway again yesterday. Consequently, traders who had held long positions at Friday's close were caught out when prices fell again. Wellcome shares lost ground for the fourth trading day in succession and the decline increased in the afternoon as cautious US investors returned to the fray. By the close the stock was down 47p at 742p 1/2 on turnover of 4m.

Meanwhile, the fortunes of Glaxo suffered further, the shares losing 21p at 576p as the company confirmed a newspaper report that it is to write to doctors in the US to correct statements made about its best-selling Zantac ulcer drug. The US Food and Drug Administration criticised Glaxo earlier this year for promotional material which suggested Zantac was safer than a rival drug from SmithKline Beecham.

Although SmithKline was not immune from the sector tension - the "A" shares dropped 14p to 392p 1/2 and the units lost to 344p - some analysts feel that it will be the first of the three leading UK drugs stocks to recover.

Low for BM

Shares in BM Group, the construction equipment company, fell sharply after a report that it will make a bigger than anticipated loss of at least

NEW HIGHS AND LOWS FOR 1992/93

NEW HIGHS AND LOWS FOR 1992/93. The following table shows the highest and lowest closing prices for the FT-SE 100 index and its constituent stocks during the period from January 1 to February 26, 1993.

FT-SE 100: High 2,857.5, Low 2,846.5.

Admiral: High 1,210, Low 1,190.

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EQUITY FUTURES AND OPTIONS TRADING

THE derivatives sector suffered one of the most uninspiring sessions this year, with little in the way of economic data to encourage dealing, writes Joel Kibazo.

In futures, the June contract on the FT-SE 100 index opened at 2,849, and apart from a brief initial retreat moved steadily forward on sporadic buying. It reached the morn-

ing's high of 2,867 at around 9.45am.

The early buying soon dried up and the contract declined to test 2,855, seen in more recent weeks as a market support level. It did indeed prove to be a resistance point and the contract traded between that and 2,867 over lunchtime.

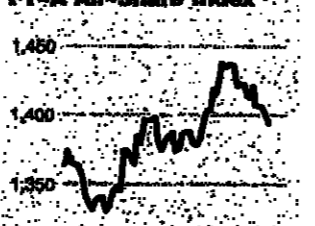
The strong opening on Wall Street brought another

upward movement in the June contract. But dealers pointed out that most of the move was technical, and there was little in the way of actual buying.

It finished at 2,874, a strong premium to the underlying cash market, with volume at meagre 4,878 lots by the official close.

The traded options were equally dull, turnover reach-

ing only 14,937 contracts. A mere 4,969 lots were dealt in the FT-SE 100 option, and 2,398 in the Euro FT-SE option. Pilkington was the busiest stock option with 1,333 lots dealt after leading index derivatives dealer Monument was reported to have carried out a large trade. It was followed by Glaxo, Lasmo, J. Sainsbury and Asda.



FT-SE 100 index from 1992 to 1993.

Source: Financial Times.

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FT-SE Actuaries Share Indices THE UK SERIES

FT-SE 100 2846.5 -6.4 FT-SE MID 250 3091.6 -7.4 FT-A ALL-SHARE 1394.92 -3.21

Day's change % Mar 29 Mar 28 Mar 27 Mar 26 Mar 25 Mar 24 Mar 23 Mar 22 Mar 21 Mar 20 Mar 19 Mar 18 Mar 17 Mar 16 Mar 15 Mar 14 Mar 13 Mar 12 Mar 11 Mar 10 Mar 9 Mar 8 Mar 7 Mar 6 Mar 5 Mar 4 Mar 3 Mar 2 Mar 1 Mar 0

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INVESTMENT TRUSTS - Cont.

Trust Name	Price	Change
British American	100.00	0.00
British Columbia	100.00	0.00
British Energy	100.00	0.00
British Gas	100.00	0.00
British Telecom	100.00	0.00
British Water	100.00	0.00
British Airways	100.00	0.00
British Airways	100.00	0.00
British Airways	100.00	0.00
British Airways	100.00	0.00

MERCHANT BANKS

Bank Name	Price	Change
Barclays Bank	100.00	0.00
Bank of America	100.00	0.00
Bank of England	100.00	0.00
Bank of Scotland	100.00	0.00
Bank of Ireland	100.00	0.00
Bank of Wales	100.00	0.00
Bank of Cyprus	100.00	0.00
Bank of Greece	100.00	0.00
Bank of Spain	100.00	0.00
Bank of Portugal	100.00	0.00

OIL & GAS - Cont.

Company Name	Price	Change
BP	100.00	0.00
Shell	100.00	0.00
Esso	100.00	0.00
Agip	100.00	0.00
Eni	100.00	0.00
Elf	100.00	0.00
Total	100.00	0.00
Amoco	100.00	0.00
Exxon	100.00	0.00
Conoco	100.00	0.00

PACKAGING, PAPER & PRINTING - Cont.

Company Name	Price	Change
Wiggins Teape	100.00	0.00
Wiggins Teape	100.00	0.00
Wiggins Teape	100.00	0.00
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TELEPHONE NETWORKS

Company Name	Price	Change
British Telecom	100.00	0.00
British Telecom	100.00	0.00
British Telecom	100.00	0.00
British Telecom	100.00	0.00
British Telecom	100.00	0.00
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British Telecom	100.00	0.00
British Telecom	100.00	0.00

TEXTILES

Company Name	Price	Change
Wiggins Teape	100.00	0.00
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Wiggins Teape	100.00	0.00
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Wiggins Teape	100.00	0.00

MINES - Cont.

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
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INVESTMENT COMPANIES

Company Name	Price	Change
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British American	100.00	0.00
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METALS & METAL FINISHING

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
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MISCELLANEOUS

Company Name	Price	Change
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OTHER FINANCIAL

Company Name	Price	Change
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PROPERTY

Company Name	Price	Change
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TRANSPORT

Company Name	Price	Change
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MOTORS

Company Name	Price	Change
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British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00

OTHER INDUSTRIALS

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00

PACKAGING, PAPER & PRINTING

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00

STORES

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00

SOUTH AFRICANS

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00

PLANTATIONS

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00

OIL & GAS

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00

MISCELLANEOUS

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00

OTHER FINANCIAL

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00

PROPERTY

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00

TRANSPORT

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00

WATER

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00

MINES

Company Name	Price	Change
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00
British American	100.00	0.00

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Equity & Law Unit, Center St, Connecticut 06203-5523

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Alcohol	79.00	50.25	54.50	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00	57.00</
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8 Davenport Sq. London EC2M 4TY		77-83	9431	Micro-
4000		4000	4000	Micro-
Spec. Inc.	137.48	137.48	137.48	137.48
Spec. Inc.	200.00	200.00	200.00	200.00
Spec. Inc.	18.10	18.10	18.10	18.10
Spec. Inc.	66.56	66.56	66.56	66.56
Spec. Inc.	108.50	108.50	108.50	108.50
Spec. Inc.	89.54	89.54	89.54	89.54
Spec. Inc.	100.00	100.00	100.00	100.00
Spec. Inc.	108.50	108.50	108.50	108.50
Spec. Inc.	243.50	243.50	243.50	243.50
Spec. Inc.	70.81	70.81	70.81	70.81
Spec. Inc.	331.26	331.26	331.26	331.26
Spec. Inc.	91.00	91.00	91.00	91.00
Spec. Inc.	94.77	94.77	94.77	94.77
Spec. Inc.	44.17	44.17	44.17	44.17
Spec. Inc.	122.00	122.00	122.00	122.00
Spec. Inc.	261.60	261.60	261.60	261.60
Spec. Inc.	112.10	112.10	112.10	112.10
Spec. Inc.	110.00	110.00	110.00	110.00

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INSURANCES

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CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Lira tumbles to a historic low

THE LIRA tumbled to a new historic low against the D-Mark yesterday, undermined by the investigations into the alleged criminal connections of Italian politicians, writes James Bitt.

The lira fell to a new all-time low of L991.50 against the D-Mark at the start of European trading yesterday, but later recovered ground to close at L987.6, some L11.5 down on the day.

The currency came under heavy selling pressure in the European morning after reports that Italian magistrates had told Mr Giulio Andreotti, the former prime minister, that he was under investigation for possible connections with organised crime. The inclusion of the highly-respected Mr Andreotti in the investigations of officials appeared to imply that the political crisis in Italy had deepened. The rise in Italy's projected budget deficit for this year to 167 billion lire also helped to depress the currency.

Dealers said that the Bank of Italy intervened on currency markets buying the lira as it hit the historic low. Mr Neil MacKinnon, an economist at Citibank in London, said that if the currency crossed L991.50

against the D-Mark again, the next support level would be at L1005.

Far from weakening on the morrow of the second round in France's National Assembly election, the French franc rallied strongly. It closed at FF3.388 to the D-Mark from a previous close of FF3.405.

Mr Jeremy Hawkins, senior economic adviser at Bank of America in London, believes that if the franc holds to this level until Thursday, the Bank of France may cut its intervention rate, currently at 12 per cent.

However, he believes the French franc may come under a speculative attack once the new prime minister and government have been named. Several economists pointed out that the franc's rally yesterday was not underpinned by large-scale flows into the currency.

Sterling fell back 4 pence against the D-Mark yesterday, because of renewed speculation

in the UK that the government might be forced to bring down interest rates again.

UK building societies have threatened to put up mortgage rates in an attempt to compete with the high rates on the British government's National Savings Instruments. The pound closed at DM2.425.

The dollar continued to look very soft against the D-Mark in spite of a reasonably strong set of US economic indicators, including a rise in February's single homes sales by 4.6 per cent.

The market failed to respond to the indicators, partly because of low volumes and bank squaring at the end of the first quarter. However, the dollar is expected to strengthen as Friday's non-farm payroll figures will be weak, rising by a modest 80,000 in the view of some dealers.

The dollar closed at DM1.6280, down about 4 pence on the day.

EMS EUROPEAN CURRENCY UNIT RATES

Currency	Unit	Rate	% Change
Spanish Peseta	166.64	166.64	0.00
Italian Lira	2036.27	2036.27	0.00
French Franc	6.5596	6.5596	0.00
German D-Mark	1.00	1.00	0.00
Belgian Franc	36.3636	36.3636	0.00
Dutch Guilder	2.20371	2.20371	0.00
Portuguese Escudo	200.482	200.482	0.00
Irish Punt	7.87564	7.87564	0.00
Spanish Peseta	166.64	166.64	0.00

Source: Central Bank of the European Communities. Currencies are in European units. Percentage changes are for the day. A positive change denotes a weaker currency, depending on the unit chosen. The unit chosen is the unit of the currency of the country of the bank of issue, and the unit of the currency of the country of the bank of issue.

177/93/93 Sterling and Italian Lira suspended from EMS. Adjustment calculated by Financial Times.

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FINANCIAL FUTURES AND OPTIONS

LIFE LONG GILT FUTURES OPTIONS

2000 points of 100%

Price Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

100 2.40 2.45 2.48 2.51 2.54 2.57 2.60 2.63 2.66 2.69 2.72

105 2.42 2.47 2.50 2.53 2.56 2.59 2.62 2.65 2.68 2.71 2.74

110 2.44 2.49 2.52 2.55 2.58 2.61 2.64 2.67 2.70 2.73 2.76

115 2.46 2.51 2.54 2.57 2.60 2.63 2.66 2.69 2.72 2.75 2.78

120 2.48 2.53 2.56 2.59 2.62 2.65 2.68 2.71 2.74 2.77 2.80

125 2.50 2.55 2.58 2.61 2.64 2.67 2.70 2.73 2.76 2.79 2.82

130 2.52 2.57 2.60 2.63 2.66 2.69 2.72 2.75 2.78 2.81 2.84

135 2.54 2.59 2.62 2.65 2.68 2.71 2.74 2.77 2.80 2.83 2.86

140 2.56 2.61 2.64 2.67 2.70 2.73 2.76 2.79 2.82 2.85 2.88

145 2.58 2.63 2.66 2.69 2.72 2.75 2.78 2.81 2.84 2.87 2.90

150 2.60 2.65 2.68 2.71 2.74 2.77 2.80 2.83 2.86 2.89 2.92

155 2.62 2.67 2.70 2.73 2.76 2.79 2.82 2.85 2.88 2.91 2.94

160 2.64 2.69 2.72 2.75 2.78 2.81 2.84 2.87 2.90 2.93 2.96

165 2.66 2.71 2.74 2.77 2.80 2.83 2.86 2.89 2.92 2.95 2.98

170 2.68 2.73 2.76 2.79 2.82 2.85 2.88 2.91 2.94 2.97 3.00

175 2.70 2.75 2.78 2.81 2.84 2.87 2.90 2.93 2.96 2.99 3.02

180 2.72 2.77 2.80 2.83 2.86 2.89 2.92 2.95 2.98 3.01 3.04

185 2.74 2.79 2.82 2.85 2.88 2.91 2.94 2.97 3.00 3.03 3.06

190 2.76 2.81 2.84 2.87 2.90 2.93 2.96 2.99 3.02 3.05 3.08

195 2.78 2.83 2.86 2.89 2.92 2.95 2.98 3.01 3.04 3.07 3.10

200 2.80 2.85 2.88 2.91 2.94 2.97 3.00 3.03 3.06 3.09 3.12

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220 2.88 2.93 2.96 2.99 3.02 3.05 3.08 3.11 3.14 3.17 3.20

225 2.90 2.95 2.98 3.01 3.04 3.07 3.10 3.13 3.16 3.19 3.22

230 2.92 2.97 3.00 3.03 3.06 3.09 3.12 3.15 3.18 3.21 3.24

235 2.94 2.99 3.02 3.05 3.08 3.11 3.14 3.17 3.20 3.23 3.26

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360 3.44 3.49 3.52 3.55 3.58 3.61 3.64 3.67 3.70 3.73 3.76

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410 3.64 3.69 3.72 3.75 3.78 3.81 3.84 3.87 3.90 3.93 3.96

415 3.66 3.71 3.74 3.77

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

Samsung Notebook PC
Battery Not Shown
Enter Key Mapping

Continued on next page

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111

MARCH 30 1993

هنگام انتشار

NYSE COMPOSITE PRICES

NASDAQ NATIONAL MARKET

3:15 pm March 29

Stock	High	Low	Open	Close	Change
IBM	115.25	114.75	115.00	114.75	-0.25
Microsoft	55.25	54.75	55.00	54.75	-0.25
Apple	45.25	44.75	45.00	44.75	-0.25
Oracle	35.25	34.75	35.00	34.75	-0.25
Sun	25.25	24.75	25.00	24.75	-0.25
HP	15.25	14.75	15.00	14.75	-0.25
Intel	10.25	10.00	10.10	10.00	-0.10
Motorola	5.25	5.00	5.10	5.00	-0.10
AT&T	45.25	44.75	45.00	44.75	-0.25
Verizon	35.25	34.75	35.00	34.75	-0.25
WorldCom	25.25	24.75	25.00	24.75	-0.25
Sprint	15.25	14.75	15.00	14.75	-0.25
Qwest	10.25	10.00	10.10	10.00	-0.10
Level 3	5.25	5.00	5.10	5.00	-0.10
Southwest	4.25	4.00	4.10	4.00	-0.10
Delta	3.25	3.00	3.10	3.00	-0.10
American	2.25	2.00	2.10	2.00	-0.10
United	1.25	1.00	1.10	1.00	-0.10
Southwest	0.25	0.00	0.10	0.00	-0.10
Delta	0.25	0.00	0.10	0.00	-0.10
American	0.25	0.00	0.10	0.00	-0.10
United	0.25	0.00	0.10	0.00	-0.10

Stock	High	Low	Open	Close	Change
Alcoa	15.25	14.75	15.00	14.75	-0.25
Alumina	10.25	10.00	10.10	10.00	-0.10
Alcan	5.25	5.00	5.10	5.00	-0.10
Alcoa	4.25	4.00	4.10	4.00	-0.10
Alumina	3.25	3.00	3.10	3.00	-0.10
Alcan	2.25	2.00	2.10	2.00	-0.10
Alcoa	1.25	1.00	1.10	1.00	-0.10
Alumina	0.25	0.00	0.10	0.00	-0.10
Alcan	0.25	0.00	0.10	0.00	-0.10
Alcoa	0.25	0.00	0.10	0.00	-0.10
Alumina	0.25	0.00	0.10	0.00	-0.10
Alcan	0.25	0.00	0.10	0.00	-0.10
Alcoa	0.25	0.00	0.10	0.00	-0.10
Alumina	0.25	0.00	0.10	0.00	-0.10
Alcan	0.25	0.00	0.10	0.00	-0.10

Stock	High	Low	Open	Close	Change
IBM	115.25	114.75	115.00	114.75	-0.25
Microsoft	55.25	54.75	55.00	54.75	-0.25
Apple	45.25	44.75	45.00	44.75	-0.25
Oracle	35.25	34.75	35.00	34.75	-0.25
Sun	25.25	24.75	25.00	24.75	-0.25
HP	15.25	14.75	15.00	14.75	-0.25
Intel	10.25	10.00	10.10	10.00	-0.10
Motorola	5.25	5.00	5.10	5.00	-0.10
AT&T	45.25	44.75	45.00	44.75	-0.25
Verizon	35.25	34.75	35.00	34.75	-0.25
WorldCom	25.25	24.75	25.00	24.75	-0.25
Sprint	15.25	14.75	15.00	14.75	-0.25
Qwest	10.25	10.00	10.10	10.00	-0.10
Level 3	5.25	5.00	5.10	5.00	-0.10
Southwest	4.25	4.00	4.10	4.00	-0.10
Delta	3.25	3.00	3.10	3.00	-0.10
American	2.25	2.00	2.10	2.00	-0.10
United	1.25	1.00	1.10	1.00	-0.10
Southwest	0.25	0.00	0.10	0.00	-0.10
Delta	0.25	0.00	0.10	0.00	-0.10
American	0.25	0.00	0.10	0.00	-0.10
United	0.25	0.00	0.10	0.00	-0.10

AMEX COMPOSITE PRICES

Stock	High	Low	Open	Close	Change
IBM	115.25	114.75	115.00	114.75	-0.25
Microsoft	55.25	54.75	55.00	54.75	-0.25
Apple	45.25	44.75	45.00	44.75	-0.25
Oracle	35.25	34.75	35.00	34.75	-0.25
Sun	25.25	24.75	25.00	24.75	-0.25
HP	15.25	14.75	15.00	14.75	-0.25
Intel	10.25	10.00	10.10	10.00	-0.10
Motorola	5.25	5.00	5.10	5.00	-0.10
AT&T	45.25	44.75	45.00	44.75	-0.25
Verizon	35.25	34.75	35.00	34.75	-0.25
WorldCom	25.25	24.75	25.00	24.75	-0.25
Sprint	15.25	14.75	15.00	14.75	-0.25
Qwest	10.25	10.00	10.10	10.00	-0.10
Level 3	5.25	5.00	5.10	5.00	-0.10
Southwest	4.25	4.00	4.10	4.00	-0.10
Delta	3.25	3.00	3.10	3.00	-0.10
American	2.25	2.00	2.10	2.00	-0.10
United	1.25	1.00	1.10	1.00	-0.10
Southwest	0.25	0.00	0.10	0.00	-0.10
Delta	0.25	0.00	0.10	0.00	-0.10
American	0.25	0.00	0.10	0.00	-0.10
United	0.25	0.00	0.10	0.00	-0.10

Stock	High	Low	Open	Close	Change
Alcoa	15.25	14.75	15.00	14.75	-0.25
Alumina	10.25	10.00	10.10	10.00	-0.10
Alcan	5.25	5.00	5.10	5.00	-0.10
Alcoa	4.25	4.00	4.10	4.00	-0.10
Alumina	3.25	3.00	3.10	3.00	-0.10
Alcan	2.25	2.00	2.10	2.00	-0.10
Alcoa	1.25	1.00	1.10	1.00	-0.10
Alumina	0.25	0.00	0.10	0.00	-0.10
Alcan	0.25	0.00	0.10	0.00	-0.10
Alcoa	0.25	0.00	0.10	0.00	-0.10
Alumina	0.25	0.00	0.10	0.00	-0.10
Alcan	0.25	0.00	0.10	0.00	-0.10
Alcoa	0.25	0.00	0.10	0.00	-0.10
Alumina	0.25	0.00	0.10	0.00	-0.10
Alcan	0.25	0.00	0.10	0.00	-0.10

Stock	High	Low	Open	Close	Change
IBM	115.25	114.75	115.00	114.75	-0.25
Microsoft	55.25	54.75	55.00	54.75	-0.25
Apple	45.25	44.75	45.00	44.75	-0.25
Oracle	35.25	34.75	35.00	34.75	-0.25
Sun	25.25	24.75	25.00	24.75	-0.25
HP	15.25	14.75	15.00	14.75	-0.25
Intel	10.25	10.00	10.10	10.00	-0.10
Motorola	5.25	5.00	5.10	5.00	-0.10
AT&T	45.25	44.75	45.00	44.75	-0.25
Verizon	35.25	34.75	35.00	34.75	-0.25
WorldCom	25.25	24.75	25.00	24.75	-0.25
Sprint	15.25	14.75	15.00	14.75	-0.25
Qwest	10.25	10.00	10.10	10.00	-0.10
Level 3	5.25	5.00	5.10	5.00	-0.10
Southwest	4.25	4.00	4.10	4.00	-0.10
Delta	3.25	3.00	3.10	3.00	-0.10
American	2.25	2.00	2.10	2.00	-0.10
United	1.25	1.00	1.10	1.00	-0.10
Southwest	0.25	0.00	0.10	0.00	-0.10
Delta	0.25	0.00	0.10	0.00	-0.10
American	0.25	0.00	0.10	0.00	-0.10
United	0.25	0.00	0.10	0.00	-0.10

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Microsoft	55.25	54.75	55.00	54.75	-0.25
Apple	45.25	44.75	45.00	44.75	-0.25
Oracle	35.25	34.75	35.00	34.75	-0.25
Sun	25.25	24.75	25.00	24.75	-0.25
HP	15.25	14.75	15.00	14.75	-0.25
Intel	10.25	10.00	10.10	10.00	-0.10
Motorola	5.25	5.00	5.10	5.00	-0.10
AT&T	45.25	44.75	45.00	44.75	-0.25
Verizon	35.25	34.75	35.00	34.75	-0.25
WorldCom	25.25	24.75	25.00	24.75	-0.25
Sprint	15.25	14.75	15.00	14.75	-0.25
Qwest	10.25	10.00	10.10	10.00	-0.10
Level 3	5.25	5.00	5.10	5.00	-0.10
Southwest	4.25	4.00	4.10	4.00	-0.10
Delta	3.25	3.00	3.10	3.00	-0.10
American	2.25	2.00	2.10	2.00	-0.10
United	1.25	1.00	1.10	1.00	-0.10
Southwest	0.25	0.00	0.10	0.00	-0.10
Delta	0.25	0.00	0.10	0.00	-0.10
American	0.25	0.00	0.10	0.00	-0.10
United	0.25	0.00	0.10	0.00	-0.10

Stock	High	Low	Open	Close	Change
Alcoa	15.25	14.75	15.00	14.75	-0.25
Alumina	10.25	10.00	10.10	10.00	-0.10
Alcan	5.25	5.00	5.10	5.00	-0.10
Alcoa	4.25	4.00	4.10	4.00	-0.10
Alumina	3.25	3.00	3.10	3.00	-0.10
Alcan	2.25	2.00	2.10	2.00	-0.10
Alcoa	1.25	1.00	1.10	1.00	-0.10
Alumina	0.25	0.00	0.10	0.00	-0.10
Alcan	0.25	0.00	0.10	0.00	-0.10
Alcoa	0.25	0.00	0.10	0.00	-0.10
Alumina	0.25	0.00	0.10	0.00	-0.10
Alcan	0.25	0.00	0.10	0.00	-0.10
Alcoa	0.25	0.00	0.10	0.00	-0.10
Alumina	0.25	0.00	0.10	0.00	-0.10
Alcan	0.25	0.00	0.10	0.00	-0.10

AMERICA

Dow finds new support in firmer bonds

Wall Street

A combination of futures-related program trading, end-of-quarter buying, a firmer bond market, and broadly positive economic news lifted US stock prices across the board yesterday morning, writes Patrick Harverson in New York.

At midday, the Dow Jones Industrial Average was up 23.77 at 3,463.75. The more broadly based Standard & Poor's 500 was 3.02 higher at 450.80, while the Amex composite was up 0.25 at 419.73, and the Nasdaq composite up 1.68 at 683.22. NYSE trading volume was 90m shares by 12 pm, and rises out-numbered declines by 933 to 682.

The markets opened against a background of mostly positive news. Bond prices, which had tumbled last week on fears of inflation, pushing up long-term market interest rates in the process, staged a modest morning rally. This eased equity investors' fears that bond prices were in free fall.

The day's economic statistics were also supportive of equities. The Commerce Department announced that new single-family home sales rose by 1.6 per cent in February, and that personal income rose by 0.2 per cent last month. Although both figures were weaker than market forecasts, the department also reported a stronger-than-expected 0.6 per cent increase in personal consumption for February.

Other factors helping stock prices included some futures-related program trading, and demand from portfolio managers looking to improve the performance of holdings before the end of the first quarter.

Generally, market analysts said yesterday that they expected prices to remain positive bias for most of the week. Friday will be a pivotal day, however, because of the release of the closely-watched March employment report, which will

give an up-to-date view of how the labour market is responding to the growing economy.

Among individual stocks, IBM was in demand, rising \$1 to \$52 1/4 in volume of almost 1m shares. The buying was seen as a spillover from last Friday, when the stock rose on the confirmation that Mr Louis Gerstner, the former head of RJR Nabisco, had been appointed as IBM's new chairman. RJR Nabisco was also actively traded yesterday, easing \$1 to \$77 1/2 as 1.8m shares changed hands.

News Corp held steady at \$41 1/4 in spite of a downgrade from the sector analyst at the brokerage house, Alex Brown, who was responding to the news that Mr Rupert Murdoch, News Corp's chief executive, had agreed to take over the loss-making New York Post tabloid newspaper.

A stock that was hit by a broker's downgrade was Harley-Davidson, which tumbled \$1 to \$37 1/2 after Salomon Brothers lowered its rating on the motorcycle manufacturer from "buy" to "hold", citing the recent run-up in the share price.

On the Nasdaq market, leading technology issues were mixed. Although Microsoft put on \$1 at \$87 1/2 and Intel \$1 1/4 at \$15 1/2, Apple fell \$1 1/4 to \$52.

Canada

TORONTO slipped slightly in early trade, with the forest products and transportation indices bowing under pressure, and stayed weak at noon when the TSE 300 composite index was off 4.57 at 3,595.17.

SOUTH AFRICA

Foreign investors who have provided key support in recent weeks were absent and the overall index fell \$1 to 3,505. Industrials shed \$2 to 4,427 and golds were 26 lower at 1,127. De Beers, trading ex-dividend, was \$3.50 lower at \$71.

EUROPE

Frankfurt's volume fails to match share prices

BOURSES were reactive in character, writes Our Markets Staff. Frankfurt rose after last week's falls; Paris returned to the upgrade after Wall Street came in higher; and the drop in the lira to a new record low weighed on a lethargic Milan.

FRANKFURT saw higher financials and chemicals, constructions and steels as the DAX index closed 13.63 higher at 1,674.92. However, dealers said that prices were not matched by volume; turnover dropped from DM7.2bn to DM4.7bn.

Financials reflected interest rate hopes again after a fortnight of underperformance, Commerzbank rising DM4.50 to DM297.50. Bayer and Schering led chemicals, the former after relative weakness on Friday as brokers Julius Bar in Frankfurt started a developing taste for cyclical.

Among steels, Thyssen rose DM3.40 to DM171 on the hope that the current round of price increases might stick. In constructions, Hochtief led with a DM21 rise to DM115.3 as German mortgage banks put out

encouraging figures on new housebuilding loan approvals.

Tertiary stocks saw falls in Continental and AEG, the former down DM3.60 to DM214 after the state of Lower Saxony said that it will detail a plan to buy Pirelli's stake in Conti tomorrow - ignoring Pirelli's trumpeted price of DM230 a share - and AEG responded to a negative weekend report. However, Bremer Vulkan rose DM4.10 to DM79 as rumours of a big shipbuilding contract for China were revived.

PARIS was helped in the afternoon by futures-linked buying, particularly by US brokers, and the CAC 40 index closed 8.08 higher at 2,033.06 after an earlier low of 2,013.33, and a high of 2,045.31.

Turnover was FF3.15bn. Rumours abounded, said Mr Michael Woodcock, French market analyst at Nikko Europe. Features included the hotel group, Accor, down FF29 to FF688 although it was testing at an unexpected change in trading procedures as the bourse prepare to expand screen based trading.

MILAN was paralysed by a work slowdown, traders protesting at an unexpected change in trading procedures as the bourse prepare to expand screen based trading.

ASIA PACIFIC

Nikkei at high for year as economic outlook improves

Tokyo

A SHIFT in investors' views on the economy triggered active buying, and the Nikkei average gained 1.4 per cent, rising above the 19,000 level for the first time since March 31 last year, writes Emilio Terazono in Tokyo.

The 225-issue average rose 258.28 to 19,043.88 after opening at the day's low of 18,838.55 and rising to the session's high of 19,126.39 during the last half-hour of trading.

Foreign investors and dealers were leading buyers, while most institutions remained on the sidelines. Volume totalled 650m shares, against 802m. Advances overwhelmed losses by 913 to 175, with 78 issues unchanged.

The Tokyo index of all first section stocks surged 28.82 to 1,455.02, and in London the ISE/Nikkei 50 index finished 4.29 firmer at 1,164.48.

In spite of the jump in prices, traders were sceptical about the sharp gains in some sectors. The market faces a shortage of sellers at present, because investors need to register their stocks ahead of dividend payments; analysts said dealers have taken the opportunity to buy up shares.

Mr Jason James, a strategist at James Capel, said: "The obvious target is the 19,300 level, but the rise seems to be overdone."

"There seems to be a concerted effort to boost optimism," said one trader, referring to local media reports listing recent positive economic data. Rising speculation about a larger than expected economic stimulus package also lifted sentiment.

The increase in speculative trading lifted A-share-related issues. Tsumura rose by its daily limit of ¥200 to ¥1,230 on reports of a new anti-AIDS discovery. Green Cross, a specu-

FT-SE Actuaries Share Indices

THE EUROPEAN SERIES										
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close	High	Low
FT-SE Eurotrack 100	1146.58	1147.46	1147.86	1148.21	1148.30	1147.06	1147.81	1148.76	1148.76	1146.58
FT-SE Eurotrack 200	1213.19	1213.98	1214.28	1214.77	1214.40	1212.10	1213.27	1213.37	1214.28	1212.10
Mar 25										
FT-SE Eurotrack 100	1147.31	1133.08	1130.66	1131.55	1126.55	1126.55	1126.55	1126.55	1133.08	1126.55
FT-SE Eurotrack 200	1213.80	1200.17	1202.55	1203.55	1204.64	1204.64	1204.64	1204.64	1213.80	1200.17

Base value 1000 (FT-SE) 1984; 100 - 1146.58; 200 - 1213.19; 100 - 1146.58; 200 - 1213.19

naud Metal Box had sold its MB Caradon stake at FF2200 a share left the former FF26 higher at FF213.80.

Elsewhere, Alcatel was FF9 higher at FF665 as its cable subsidiary announced a Greek contract. There were buyers around Eurodisney, FF2.10 higher at FF94 as its prospects seemed to improve, and Credit National rose FF17 to FF1,230 as 2 per cent of the equity went through the market towards the end of the day.

MILAN was paralysed by a work slowdown, traders protesting at an unexpected change in trading procedures as the bourse prepare to expand screen based trading.

The Comit index edged 0.55 higher at 457.07.

Fiat added L150 to L5,850 as rumours of an international disposal continued. Analysts noted that the shares were quoted at L5,990 on SEAQ International, the screen-based trading system for international stocks in London.

Benetton dipped L220 to L15,080, its 12 per cent rise in 1992 net profit came after the market closed.

ZURICH was lifted by anticipation of this week's corporate results, and the SMI index rose 16.3 to 2,176.3.

Ciba registered rose SF5 to SF614 ahead of today's results, expected to include a healthy

rise in profits. Roche, reporting on Thursday, rose SF40 to SF41.04. Adia was not so lucky after last Friday's figures and its warning of a possible loss for 1993; the bearers fell SF13 to SF120.

Meanwhile, Leu Holding gained SF20 to SF295 and Elektrowatt SF60 to SF2,850 on rumours that CS Holding, their parent company, intended to divest its interests. CS Holding, which denied the reports, closed SF40 higher at SF2,290.

AMSTERDAM moved Nutricia, the specialist food group, to centre stage after Friday's results but the CBS Tendency index was unchanged at 106.40 reflecting the otherwise thin trade.

Nutricia, whose 1992 results were in line with expectations, added FF1.50 or 5.4 per cent to FF125.50 with investors encouraged by its forecasts for 1993.

Heineken rose FF1.20 to FF193.50 after a day's high of FF194.20, with foreign demand noted after a positive article in Barrons.

KLM dipped 10 cents to

FF128.10 in response to suggestions yesterday that the resignation of the finance director, late on Friday was due to differences of opinion over company strategy.

MADRID closed with the general index 1.14 higher at 239.79 in healthy turnover of Pta21.73bn, dealers saying that the market had reached a resistance level.

Construction companies were among the day's strongest performers, Cubiertas putting on Pta400, or 7.3 per cent to Pta5,840 Agroman, Asland and Dragados all rising by more than 3 per cent. Real estate companies were also healthy. Bani and Prima Inmobiliaria each advancing by more than 5 per cent.

OSLO registered a 10-month high, the all-share index edging up 1.25 to 450.77 in active turnover worth NKr375.2m on the expectation of further falls in interest rates.

ISTANBUL scored a 1.9 per cent gain after its six-day halt, the market index rising 106.51 to 5,764.94.

Hong Kong and Mexico lead the field

MARKETS IN PERSPECTIVE

	% change in local currency			% change since 1992	% change since 1991
	1 Week	4 Weeks	1 Year		
Austria	-2.97	-3.21	-18.61	+3.21	+1.85
Belgium	-0.52	-1.06	-13.19	+13.39	+11.86
Denmark	-2.27	-3.00	-16.48	+5.51	+6.64
Finland	-0.43	+4.10	+25.89	+21.41	+8.33
France	+2.92	+2.41	+4.99	+10.05	+11.81
Germany	-2.07	-1.14	-5.79	+8.82	+9.55
Ireland	+0.79	+13.70	+8.24	+24.58	+16.06
Italy	-1.25	-5.33	+5.40	+12.47	+9.77
Netherlands	-0.98	+2.91	+8.10	+10.41	+11.29
Norway	+0.93	+11.69	-1.33	+13.81	+15.20
Spain	+0.86	+1.46	-5.42	+12.00	+11.98
Sweden	-1.42	-1.52	+8.55	+4.51	-2.71
Switzerland	-0.88	+3.00	+16.78	+4.95	+3.33
UK	-1.73	-0.26	+18.71	+1.24	+1.24
EUROPE	-0.86	+0.48	+3.98	+5.94	+5.96
Australia	-0.27	+4.15	+4.92	+7.98	+11.31
Hong Kong	+4.26	-0.88	+21.26	+14.56	+14.72
Japan	+1.29	+11.07	+2.33	+19.01	+17.29
Malaysia	-0.26	-0.36	+14.96	+5.33	+5.59
New Zealand	-1.26	+1.87	+10.97	+4.31	+9.98
Singapore	-0.29	-1.23	+8.04	+3.22	+4.52
Canada	-0.37	+3.54	+0.39	+6.51	+9.47
USA	-0.41	+0.99	+9.77	+2.69	+4.27
Mexico	+3.97	+14.58	-7.61	-2.54	-0.59
SOUTH AFRICA	+1.30	+5.24	-1.94	+10.84	+19.57
WORLD INDEX	+0.05	+3.61	+8.38	+5.80	+8.31

† Based on March 29th 1993. Copyright, The Financial Times Limited, Goldman, Sachs & Co., and NatWest Securities Limited.

By William Cochrane

JAPAN'S equity market slowed its rise last week and this, with both the US and Europe in negative territory, was barely enough to lift the FT-Actuaries World Index to a token gain in local currency terms.

The top performers were Hong Kong and Mexico. Of Hong Kong, Mr Hugh Peyman of Kleinwort Benson is not bullish, in spite of last week's uptick on more conciliatory noises from Chinese officials. "No quick solution is yet in sight," says Mr Peyman, "and the best guess remains that no accommodation will be reached until late second quarter at the earliest. By then another dark cloud will be looming... In the shape of the overheating Chinese economy that will have to be brought under control with some brutal instruments that will send shudders through the economy."

Mexico resumed its recovery. Latin American Securities says that lower interest rates

and improved sentiment on the North American Free Trade Agreement, prompted by positive declarations from Mr Richard Gephardt, the US house majority leader who had been generally perceived as opposing the agreement, seem to have sparked off an intensification in the buying plans of some investors.

In Europe, politics moved German and French sentiment in opposite directions. Like Austria, the week's worst performer, Germany suffered on Monday and Tuesday from the previous week's Russian crisis, and a tacit acknowledgement that the market needed a correction left little scope for general recovery.

France waited for last week's second round elections to confirm the crushing defeat of the socialists and responded, meanwhile, to stimuli like Thursday's comments by Mr Jacques Chirac, leader of the successful Gaullist RPR party, that economic growth was essential for the country - suggesting to some investors that lower interest rates could be on the way.

1992 ANNUAL RESULTS

Strong media performance.
Record cash generation.
Improving outlook.

	1992	1991
Operating profit	£155.6m	£175.0m
Profits before taxation	£150.8m	£179.6m
Earnings per share (FRS 3)	19.3p	24.7p
Earnings per share - adjusted	18.4p	20.2p
Dividends per share	12.0p	11.6p

Pearson's Annual Report will be published on 21 April 1993. If you would like a copy please write to Lloyds Bank plc, Registrar's Department, Caring-by-Sea, Worthing, West Sussex BN12 6DA.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	FRIDAY MARCH 26 1993					THURSDAY MARCH 25 1993					DOLLAR INDEX				
	US Dollar Index	Day's Change %	Point	Start of Year	Year Index	US Dollar Index	Day's Change %	Point	Start of Year	Year Index	1992/93 High	1992/93 Low	Year ago (approx)	Year ago (approx)	Year ago (approx)
Australia (68)	136.27	+0.6	136.49	102.43	118.06	130.66	+0.8	3.76	136.41	136.21	102.67	118.16	129.62	153.68	108.19
Austria (18)	142.47	+1.9	141.66	104.78	120.77	121.12	+1.6	1.87	139.82	140.83	103.72	119.38	119.25	186.70	131.16
Belgium (42)	148.77	+0.5	147.93	109.41	126.11	123.64	+0.3	4.39	147.89	148.52	105.52	125.05	152.27	131.19	137.51
Canada (113)	134.67	-1.0	133.42	91.68	105.07	112.34	-1.0	2.35	129.97	129.71	93.44	107.53	113.47	142.12	111.36
Denmark (23)	136.61	+0.5	135.50	144.60	166.06	167.80	-0.2	1.37	195.66	196.80	145.14	167.03	167.85	273.94	181.70
Finland (23)	74.61	+1.1	74.19	54.88	83.25	92.77	+1.1	1.37	73.77	74.20	54.73	82.96	91.81	88.80	52.84
France (98)	162.19	+1.8	161.28	119.28	137.48	141.14	+1.2	3.12	159.29	160.22	118.15	135.97	139.42	168.75	136.83
Germany (62)	112.26	+1.0	111.81	92.56	95.15	95.15	+0.3	2.23	111.10	111.75	92.43	94.94	94.94	129.69	101.59
Hong Kong (65)	254.17	+1.6	252.74	186.93	215.47	252.28	+1.8	3.68	250.09	251.55	185.51	213.51	248.25	262.28	176.36
Ireland (16)	155.20	+2.8	154.32	114.13	131.59	146.86	+2.2	3.57	150.93	151.81	111.96	128.85	143.70	173.71	122.98
Italy (73)	57.15	+1.1	56.83	42.03	48.44	47.91	+0.3	2.89	56.54	56.97	41.94	48.26	57.69	80.86	47.47
Japan (471)	128.08	+1.7	127.40	90.53	104.38	90.53	+0.9	0.92	121.02	121.72	89.77	103.32	89.77	140.95	87.27
Malaysia (69)	277.11	-0.1	275.55	203.80	234.90	277.43	+0.0	2.41	277.30	278.92	205.69	236.72	277.43	282.42	212.49
Mexico (18)	1613.29	+2.5	1604.19	1186.52	1367.58	5478.63	+2.4	1.09	1573.49	1582.66	1187.20	1343.25	5351.23	1789.77	1185.94
Netherlands (24)	165.94	+1.3	165.00	122.04	140.67	136.76	+0.5	4.07	163.95	164.80	121.54	138.88	138.18	189.70	147.88
New Zealand (13)	48.45	+1.2	48.19	34.16	35.36	48.22	+1.3	4.73	45.82	46.19	34.06	39.20	45.83	48.52	37.39
Norway (22)	186.23	+1.6	185.38	114.58	132.44	147.16	+1.1	1.78	183.52	184.41	113.88	131.09	145.58	182.35	128.05
Singapore (36)	218.82	+0.8	218.38	161.52	185.17	166.49	+0.9	1.99	217.81	219.07	161.57	185.93	184.96	229.63	179.55
South Africa (80)	174.38	-0.2	173.40	128.25	147.82	174.19	-0.1	2.89	174.72	175.74	128.60	148.15	174.33	263.80	134.21
Spain (46)	128.26	+1.8	127.83	94.33	106.72	113.34	+1.1	5.34	126.20	126.93	93.61	107.73	112.14	161.72	107.10
Sweden (36)	132.62	+1.5	132.42	113.66	124.46	131.16	+1.0	1.86	132.73	133.59	114.22	124.14			